

# **B CORP: INSIGHTS FOR A NEW ECONOMY**

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For my 'Ohana and Hawai'i Nei

# ABSTRACT

In a time of unprecedented change, our current economy is structured to serve a dying past rather than to create a new sustainable future. Economic activity as we know it has resulted in many of the current social and environmental challenges we face locally and globally. A New Economy is needed that is better structured to create economic stability and prosperity, a more just society, and a regenerative ecology out of the rapid changes of the next century. B Corp is a unified group of businesses claiming to lead a movement for such an economy. This project interviewed 50 B Corp founders from across the U.S. to explore their values, ideas, and beliefs including why and how they created companies that benefit society and the environment, how they articulate the New Economy, and how they view the strengths, weaknesses, and potential political significance of their movement. Comparing the interview insights with a comprehensive literature review results in three overarching goals and seven guiding principles for a New Economy. Economic theory beginning with Adam Smith's classical economics is explored as an underpinning to the trajectory of the current economy. Modern social movement theory describes how the B Corp movement builds on previous direct action for economic reform, such as the Global Justice Movement, and provides insights into what could make the movement succeed or fail. Finally, Futures Studies methods and generational cohort analysis are engaged to design a useful vision of a stable, prosperous, just, ecological sound future New Economy in 2030 led by an older Millennial generation that have replaced the Baby Boomers in occupying positions of power, leadership, and authority and enacted the recommendations from this research.

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# CHAPTER 1. INTRODUCTION: MY RELUCTANT ENTRANCE INTO THE NEW ECONOMY

## 1.1 Overview – From Brown to Green to Blue Economy

The next 20 years will see more change than any 20 years in history. Exponential population growth, a globalizing economy, the end of cheap oil, internet connectivity, global warming, and technology innovation are just a few of the unprecedented trends creating an entirely new world at an accelerating pace. Yet rather than support those who are thinking and acting beyond the status quo to shape this emerging and unknown future, the current economic model rewards participants of the dying 'Brown Economy,' named for its dependence on burning cheap polluting fossil fuel for energy. The Brown Economy's domination since the Industrial Revolution has massively degraded the environment, concentrated wealth and power amongst a small number of individuals and companies, while marginalizing the global workforce to unfulfilling, low wage jobs. Much of the world's population is underpaid, underutilized, and unhappy. Even those who have greatly profited from the Brown Economy fear its limitations after the cycles of bubbles and recessions over the last few decades have shown its instability. While political rhetoric during recent elections have focused on growing the economy and the number of jobs at all costs, the popularity of Bernie Sanders in the 2016 Presidential election engaged new dimensions to this discussion including the *quality* of jobs, the impact of economic decisions on climate change, and the need to fix an economic system that concentrates wealth amongst a small number of individuals and companies.

Some who are thinking beyond the Brown Economy envision a *Green Economy* that values the environment over the single bottom-line focus of continuous economic growth. Other leaders echoing movements such as Occupy Wall Street negatively view economic gain, siting



that the profit hungry economic system has resulted in the loss of our world's natural resources and created gross inequality in opportunity and wealth distribution. Hence both traditional and alternative thinkers can view economic and social/environmental considerations as tradeoffs that must be navigated in terms of compromise. Yet there has been a growing global consensus that rather than viewing social equity, environmental prosperity and healthy profits as mutually exclusive, the sustainable economy of the future must benefit the "triple bottom line" of people, planet and profits *simultaneously*. For example, the 2011 UN Conference on Sustainable Development focused on the "widely accepted shift from seeing environmental management as separate from economic development, to the now recognized fact that future economic development is inextricably linked with both environmental and social considerations (IOC/UNESCO, IMO, FAO, UNDP 2011, 18)." The vision of a prosperous economy where environmental stewardship and social equity are woven into the DNA of healthy profit making was coined the *Blue Economy* by author Gunter Pauli. The view of such an economy leads to the question: "How can market players and their power structures evolve to create a more stable, thriving economy, just society, and sustainable ecology out of the rapid changes of the next century?" To explore this question, I propose we must listen to business leaders who believe in and are working for such an economy. Thankfully, the Blue Economy is already being explored and created by business and thought leaders across the US and around the world (Pauli 2010).

The non-profit B-Lab is a global nexus for such leaders and businesses with its unique goal of leading a global business movement for a Blue Economy. The B in B Lab stands for benefit since the organization is committed to using the power of business to create benefit by solving social and environmental problems. There is very little published academic work on the efforts of B Lab so most information available regarding its work is on the B Lab website or their

internal reviews and reports. Where B Corp is mentioned in the literature is summarized in Chapter 2, but it is very brief. Hence this project represents a unique opportunity to academically mine the efforts of B Lab to determine its ability to influence and create a Blue Economy.

In his book *The Blue Economy – 10 years – 100 innovations – 100 million jobs* (Gunter Pauli 2010) Pauli ties together technical and programmatic solutions with new paradigm thinking to show that an economy can be structured to benefit people and the environment. He focuses on increasing value and efficiency in industry and economic processes and often looks to nature for examples of processes that are networked, collaborative and effective. A *triple-bottom-line economy* of a preferred future will be referenced in this project as a *Blue Economy* based on Pauli's description and will be used interchangeably with the term *New Economy*. Chapter 2 of this project thoroughly explores the insights of Pauli and others advocating for a triple-bottom-line or Blue Economy, but I introduce some of the key thought leaders and themes from the literature here to add depth and dimension to this new notion of a Blue Economy for this introductory chapter.

Most literature on the Blue Economy begins by critiquing the challenges of the economy as we know it. These insights into its downfalls then naturally lead to solutions that are often positioned as opposite to the problem but can be more nuanced. For example, the economic goal of *growth at all costs* is widely accepted in economic activities and business decision making, but its use as an overarching goal has resulted in the justification of exploiting people and the planet. While *no growth* would be an oppositional solution, some thought leaders instead suggest the notion of *qualitative over quantitative growth*. The next section will describe

the key critiques of the main-stream economy, which will then be followed by core principles that emerged from the literature in terms of solutions and a vision for a Blue Economy.

Business theorist David Korten and Paul Hawken, and economic theorists Joseph Stiglitz, Juliet Schor, Bernard Hodgson and Erik Reinert, all advocate for a completely different view of the individual as an economic player. They challenge the assumption in status quo economic models that individuals make choices by considering costs with the goal of maximizing their personal gain by reintroducing the self-evident reality that the human rationality includes ethical deliberation, self-determination, complex motivations and varying views of well-being (Stiglitz 2015; Badeen 2012; Schor 2010; Hodgson 2001; D. Korten 2010; Reinert 2012; Hawken 1993). Stiglitz, Korten and many generations of economic theorists including Gardiner Mean, Arthur Burns, Frederic Lee, and David Colander, further challenge the underlying assumptions that the market will ensure the most efficient allotment of resources for society (D. C. Korten 2001; Lee 1990; Stiglitz 2015; Colander 2000). Environmentalist James Speth, along with political theorist William Connolly, social theorist Jeremy Rifkin, and journalist Naomi Klein, deeply explore the misguided results of these assumptions by critiquing the economy as we know it and exposing the distortions that have allowed the manipulation of consumer demand, exploitation of developing countries, growth of corporate wealth and power, and resulting degradation to the planet (Speth 2008; Connolly 2008; Rifkin 2011; Klein 2007; Klein 2014). Rifkin, Lee and Schor, along with economists Herman Daly and business theorist Marjorie Kelly, also criticize the ubiquitous value of growth in free market culture, including the *growth at all cost* approach of financial markets that have resulted in granting corporations the rights of people, allowing Wall Street to fabricate financial markets, and concentrating the majority of the US's wealth in the top 1% of the population (Kelly 2012; Rifkin 2011; Schor 2010; Daly 1996).

Klein along with political theorist Manfred Steger, social scientist Geoffrey Pleyers, and political scientists Sidney Tarrow, Kevin McDonald, and Raffaele Marchetti, share how these challenges have been exported to the world in the form of globalization, and how movements have rose up in response, including the highly televised *Occupy Wall Street* movement (Steger 2009; Pleyers 2010; Tarrow 2001; Tarrow 2005; Manfred Steger, Goodman, and Wilson 2013; Della Porta and Marchetti 2007).

These same authors, along with others, offer up solutions and a shared vision of a Blue Economy that have considerable consensus in the literature. The overarching goals that emerged from the literature for the Blue Economy include:

1. Qualitative over Quantitative Growth
2. Benefit the Triple Bottom Line of People, Planet, and Profit
3. Emulate and Integrate With Ecology

Seven guiding principles to accomplish these goals also emerged from the literature research and are as follows:

1. Collaboration over Competition
2. Internalize Externalities
3. Empower Locally, Connect Globally
4. Create Disruptive Innovation Over Improvement
5. Value Relationships Over Commodities
6. Contribute to the Greater Good
7. Protect While Evolving

Now that there is a broader understanding of the New Economy as described in this project, the remainder of this section will summarize the rhetoric and intentions of B Lab's initiatives to create such an economy, including the meaning and purpose of B Corp, which is

the focus of this study. In summary, B Lab strives to provide all the tools that investors, consumers, and business leaders need to make choices that are more beneficial to society and the environment. On their website B Lab states:

Individually, B Corps meet the highest standards of verified social and environmental performance, public transparency, and legal accountability, and aspire to use the power of markets to solve social and environmental problems. Collectively, B Corps lead a growing global movement of *people using business as a force for good™*. Through the power of their collective voice, one day all companies will compete to be *best for the world™*, and society will enjoy a more shared and durable prosperity for all (“What Are B Corps? | B Corporation” 2016).

B Lab's rhetoric *best for the world* stands in comparison to *best in the world*, indicating an inclination toward *benefitting the world over being the best*. This differs greatly from mainstream business rhetoric where businesses strive to *beat out the competition* in a *dog-eat-dog* world. B Lab strives to drive systemic change toward a world where businesses operate in a Blue Economy through three interrelated initiatives:

1. Certified B Corporations: B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. B Corp certification is to sustainable business what LEED certification is to green buildings or Fair Trade certification is to coffee. B Corp is a global gold standard certification that uses a rigorous checklist and 3<sup>rd</sup> party verification process to assess a company's social and environmental performance, accountability, and transparency (“What Are B Corps? | B Corporation” 2016). The B Corp certification goes much deeper than simply rewarding mission and vision statements that include social and environmental responsibility. It rewards diversity of employees in the organization, the sharing of profits, employee ownership, democratic employee governance, the environmental benefits of a company's products and services, the

environmental and social impacts on community, a low ratio of lowest to highest-paid employee, paid maternity leave, resource efficiency, and many other factors that ensure the structure of the organization benefits society and the environment (B Lab 2014b).

2. Benefit Corporation Legislation: Benefit corporations are recognized in states that have passed benefit corporation legislation as legally committing to operate the same as traditional corporations but with higher standards of corporate purpose, accountability, and transparency (“What Are B Corps? | B Corporation” 2016). Benefit corporations give leaders legal protection to pursue an expanded purpose beyond profit since they legally change their operating agreement to state that the environment, the company’s workers, and the community are stakeholders with rights that must be considered in addition to shareholder profits. This allows long term mission alignment by protecting a company’s social and environmental mission through capital raises and leadership changes, and by creating more flexibility when evaluating potential sale and liquidity options. Companies that become legal B corporations in states that have passed legislation are legally allowed to subordinate profits to social and environmental goals (Alperovitz 2013, 22). Without this legal authorization, CEOs could in theory be sued by stockholders if profit-making was not their sole objective (Alperovitz 2013, 26). For example, a benefit corporation can select a lower company purchase offer if the offer benefits the environment and/or society. This differs greatly from most corporate agreements that legally hold Boards and owners to the fiduciary duty of maximizing shareholder profits. And with over 30 states that have enacted B Corp legislation, including Delaware where most US businesses are registered, there is hope that one

day there will be nationwide recognition that will eventually lead to an IRS designation with beneficial tax breaks for B Corps.

3. Investment Analytics: B Lab's *B Analytics* hosts the world's largest database of verified social & environmental performance data for private companies. B Analytics produces the Global Impact Investing Rating System (GIIRS pronounced *gears*), which is a comprehensive and transparent system for assessing the social and environmental impact of developed and emerging market companies and funds with a ratings system similar to traditional metrics such as Morningstar ("GIIRS Ratings | B Analytics" 2016). This helps impact investors, fund managers, and impact entrepreneurs globally by measuring what B Lab says matters, and helping connect companies like B Corps with investors that want their investments to create environmental and social benefit.

B Lab represents a locus of unprecedented agency in the landscape of the economy. Prior to B Lab, Corporate Social Responsibility (CSR) was a trend where companies voluntarily stepped forward with intentions to improve and be accountable for their environmental and social performance, yet there was no verification or standard (Fleming and Jones 2013; William 2006). Some consumers and investors chose to be conscious of social and environmental concerns and committed to only participate with corporations that demonstrate positive alignment with these values, yet it was difficult to discern which companies acted in alignment with such values. For the first time in the history of our economy, B Lab provides a 3<sup>rd</sup> party certification and a legal structure that strives to create consumer and investor confidence and incentives for companies that prove beneficial for the environment and society. With over 1900 certified B Corps across the globe and legislation passed in 31 states in the U.S., B Lab has some measurable momentum for their self-proclaimed movement to build a Blue Economy.

While the ideology of the Blue Economy is supported by B Lab with tools to change and sustain corporate structure, B Lab still remains unknown to most of the mainstream world. Even though I have devoted most of my adult life to looking for unique models and approaches to solving social and environmental problems, I was a decade into this work before I even heard of B Lab. I could have continued for years pursuing change for sustainability without ever stumbling across B Lab, and I'm sure this is true for many people in the sustainability related field, including those in triple-bottom-line businesses. I believe this is relevant in this introduction because my reluctant path into the Blue Economy and my discovery of B Lab was guided by deep questioning that I suspect other truly triple-bottom-line companies would resonate with. The next section will describe this trajectory beginning with a brief description of the methodology for this research, which will justify the relevance of this deeper description of my positionality in preparing the reader for themes and topics that will be highly relevant throughout this project.

## 1.2 Positionality

Since positionality is central to the methodology of this project, I have included this section on positionality in the introductory chapter. In this research project, I am uniquely positioned as both an insider and outsider. I am an insider because I have a B Corp certified consulting firm specializing in educating and empowering organizations toward environmental and social change. As an insider I am immersed in a network of B Corp leaders, which provides access for interviews with others like me across the globe. As an outsider, I am a researcher in the role of interviewer, and may also be viewed by the interview participant as a competitor. Insight on positionality from feminist theorist Nancy Naples indicates that my ability to navigate the shifting role of insider and outsider throughout varying situations and perspectives will be



dependent on the reflexive practices I employ (Hood 2006, 133). I begin this section describing the reflexive methodology I selected and how my experiences function in the method. I then describe my experiences preparing for and entering the Brown Economy. I describe the ideas, values, and beliefs that laid the foundation for my transition away from the Brown Economy and how I ultimately, after considerable reluctance, entered the Blue Economy as a B Corp.

In Chapter 3 I describe the method of analysis for this project in great detail, but it is worth mentioning in this introduction that one of the key reasons I selected *constructivist grounded theory* (CGT) as my method of analysis is due to the highly reflexive role of the researcher in this method. Since I endured and enjoyed many experiences that led me from fleeing the Brown Economy to eventually being a local leader in the Blue Economy, I wanted to retain the value of my observations, lessons, and insights as I stepped into the role of researcher. CGT welcomes and centralizes the researcher's role, perspectives, experiences, and even their ways of making meaning, as core to the method of developing theory. I will briefly introduce the relevance of the researcher's role in CGT, so that the importance of positionality is understood. I will then share my background as a narrative describing the relevance of my positionality in this research for the Blue Economy.

While grounded theory was introduced by Barney Glaser and Anselm Strauss in 1967, a student of theirs named Kathy Charmaz introduced constructivist grounded theory (CGT) in 2000 in her seminal work *Grounded Theory: Objectivist and Constructivist Methods* (Charmaz 2000). As stated above, positionality is core to what differentiates *constructivist* grounded theory from *traditional* grounded theory. In traditional ground theory, the researcher is to strictly avoid bringing in any preconceived knowledge or perspectives into the process of interviewing or analysis (Gibson and Hartman 2014, 33). As Charmaz describes, CGT "aims toward interpretive understanding of subjects' meanings (Kathy Charmaz 2000, 513)." Charmaz

counters that the researcher's own understanding of the world will always effect research since research is, and must always be, contextualized (Gibson and Hartman 2014, 48). Thus CGT "recognizes the mutual creation of knowledge by the viewer and viewed (Charmaz 2000, 510)." Charmaz emphasizes that "the analysis emerges from the researcher's interaction within the field" (Charmaz 2000, 513), concluding that "the viewer then is part of what is viewed rather than separate from it (Charmaz 2000, 524)." CGT is based on the careful analysis of the descriptions of participants that were stimulated by the interests of the researcher (Gibson and Hartman 2014, 60). A key difference between CGT and traditional grounded theory is that the researcher in some way identifies themselves within the researched (Gibson and Hartman 2014, 46). A fifteen-year trajectory related to this research, along with my passion for sustainability and a more environmentally conscious and socially just future, inspired this project and made it possible for me to have agency to connect with participants and to perform analysis. In the spirit of Charmaz's contextualized role of the researcher, I describe my experiences that inspired and informed this research through the following self-reflection.

### 1.3 My Reluctant Entrance into the Blue Economy

Upon graduating with a mechanical engineering degree from the University of Western Ontario in 1998, the first on either side of my family to graduate from not only university, but from high school, I felt the long and challenging journey had paid off when I landed a job with a highly respected high-tech company. My initial assignment was to lead the first ever transfer of computer manufacturing production from our plant in Canada to another country, in this case Mexico. That a 25-year-old woman would be put in charge of the first international operations seemed like a golden opportunity at the time, but in retrospect it is clear that the leadership selected someone they thought would carry out marching orders unquestioningly. Only seeing

the task at hand, I dove in passionately and our engineering team in Toronto held weekly conference calls with the Mexican team as we guided them through a hefty checklist of activities in preparation for the new production. After months of coordinating, I arrived in Mexico with four weeks to finalize the details before our new manufacturing line went live. As I approached and toured the plant my surprise and dismay steadily grew. I learned that the slums just outside the plant were where the engineers and some of the more prosperous workers lived. It was explained to me by management that only women had been hired to work the manufacturing lines since they were more “docile” without “swaggering egos.” There was no process for handling waste so lead components and other toxic waste were being dumped in the nearby river. And despite the reports of progress from the Mexican team I had been working with, nothing on the checklist had actually been implemented. Not one thing.

I quickly came to realize that only two engineers were attempting to do what would have required a dozen of engineers to complete in Canada. The exhausted duo had been instructed by their Mexican management to lie and report that they were completing the assigned list of activities so as not to lose favor with our company. They had not had a single day off in months and worked 12-20 hours each day. When I looked into their strained, bloodshot eyes I knew that I had to get to the bottom of this.

It took days to locate the Canadian engineering managers since they rarely set foot in the plant. When I pressed the Mexican managers to specify when they last saw them, the answer was poolside at their rented mansions or at their elaborate parties. I was finally able to track down the Mexican vice-president for a lunch meeting where I asked why we had been set up to fail. His response was that his was a “low cost geography” where Mexicans were

expected to produce more for less. He added a statement I had heard the Canadian executives say many times: "it's Mexican culture."

"It's your culture to work for pennies at the cost of people's health!?" I couldn't help but ask.

Surprised that his explanation wasn't sufficient, he seemed to think for a moment and added, "We simply don't have money to pay more engineers."

I nodded slowly. "How much is an engineer's annual salary?" I asked.

"Twelve thousand dollars," he answered with a shrug.

I held his eyes, nodding. "Well, here is last month's expense report I found for the two Canadian engineering managers stationed here. Not including their rented houses and vehicles, their entertainment alone last month was \$24,000. It seems if there were a few less parties we could have about twenty-four more engineers this year."

He paused and finally met my unwavering eyes. To my surprise, as this understanding set in, he sighed and admitted, "You're right." And then to my even greater surprise he added, "But no one is going to do anything about it."

I couldn't hold my anger as I stood and slammed my fist on the table: "Well then, #@\$%& this."

As that was a few years before Naomi Klein's groundbreaking book *No Logo* brought the issues of globalization to the masses, I did not realize that I had just experienced a textbook case of how many multinational organizations were taking advantage of globalization. Had

Klein documented the failed promises of some multinationals a few years earlier I would have had some understanding of my experience. As it were, I felt alone without realizing that this kind of exploitation was occurring all over the world as developing countries desperate to industrialize were handing over their natural and human capital.

I returned to Canada determined to address this challenge, but had no idea where to turn with the words “no one is going to do anything about it” sounding in my head. After most doors slammed in my face I finally found one manager whose work seemed to provide a tangible solution. He was developing an equation that would use the complexity of a manufacturing process to identify the number of engineers required for a project rather than rely on arbitrary assignments from executives who would rather line their pockets than pay for the appropriate staff. I jumped onto his team driven by the memory of my exhausted engineering friends in Mexico. All I could hope was that this solution would ensure future projects would be fairly staffed, no matter where they occurred in the world. When the equation had been finalized and had momentum, there was nothing else I could find to do. Dismayed at working so hard to devote myself to a field that so easily exploited people and the environment in the name of production, I decided to leave engineering, my salary, cushy expense account and corporate security to look for a new path where I might actually be able to make a difference.

Looking for a fresh start, I decided to move to Vancouver, a city integrated with nature and viewed as progressive in its policies. Once settled, I treated the whole city like an educational center. I attended community planning sessions, legislative hearings and public lectures. I had lunch with the people I met, learned about their jobs, interests and worries that inspired them to engage in change. I took night classes in courses like Physics, Energy and the Environment, Sustainable Community Development, and Economic Development.

I quickly came to realize that most of the technical solutions to the world's problems exist. From renewable energy to effective policies we have the mechanisms to create economic, environmental and societal prosperity. Yet one question remained unanswered: if all these pieces to the puzzle exist, why aren't they being assembled into a picture of something better — especially when so many seem to desire a brighter existence?

When I realized that going to class and researching these questions were exciting to me, I knew I had found my passion. Having identified myself as being strictly anti-private sector, I decided that academia would be the best place for me to explore my ever-growing need to understand change. Eventually as a professor I could perhaps learn and teach about these issues for the rest of my life. That seemed to offer me the most powerful potential to learn and grow, as well as create an impact. While I felt like a house was burning and all I had was a teacup full of water to put it out, I pondered the ability to connect with an entire academic and extended community as well as cohorts of students over the years. This gave me the idea that thousands of teacups together could make a collective impact and douse some flames after all.

I literally scanned the world looking for the place where I could spend the rest of my life learning, implementing, inventing, and modeling solutions that could possibly be replicated throughout the world. I explored the idea of immersing myself in such environmentally conscious regions as Sweden or California. I actually first considered Hawaii because I thought that since it was comprised of islands with the most remote population center on Earth, it would be the model for conscious living. Without knowing my interest, a friend happened to lend me a book called *Hawaiian Elders Speak*, by M. J. Harden, which sealed the deal for me. It contained stories of remarkable people with such deep values that I was inspired to believe Hawaii had what the world needed: a diverse multicultural, accepting, warm society integrated

with rich natural surroundings and grounded in indigenous values. As part of the US economy, solutions in Hawaii could perhaps be replicated throughout the most consuming and polluting country in the world. Yet its strategic location would allow it to serve as a model that could influence both the eastern and western hemispheres. Hawaii was like a beacon to me and without knowing a single person living there I went to check it out.

Like anyone who scratches beyond the surface of the typical tourist's package, I found that Hawaii had many surprises in store. The native Hawaiian influence and deep community fabric were even stronger than I had hoped. Most conferences and public events began with a Hawaiian prayer or chant and when meetings ended, everyone hugged each other warmly. When I found myself hugging a Senator at the State Capitol after my first public meeting, I knew I was somewhere special. Yet, the near complete absence of recycling and overwhelming dependence on imported food and fossil fuel were shockingly disappointing. Hawaii paid the highest energy prices in the country to burn oil for electricity and only a small percent of the state's total energy needs came from the inexhaustible sun, wind and ocean energy that was everywhere. There was so much potential that had barely been scratched that a new path emerged for me — to be part of the evolution.

The next four years were more challenging and successful than I could have imagined. I worked with a devoted team of fellow students who were passionate and dedicated enough to overcome endless obstacles to change. This entire journey is chronicled in my book, *Surfing Tsunamis of Change, a Handbook for Change Agents*, but to briefly summarize, through our projects and constant public events we rallied thousands to create a statewide movement in sustainability just as sustainability was sweeping the world as a new global ideology.

As I reflect on the entire experience five years later it's apparent that what we were fighting for and managed to accomplish are eclipsed for me by what became most apparent to me in the process: while I was not of the Millennial generation myself, Millennials were the best partners I could find to help co-create a sustainable future.

From 2006 – 2014 I worked with cohort after cohort of students from the University of Hawaii ten-campus system ranging in age from approximately 18-24 and representing local as well as foreign students from many corners of the world. The first four years I worked with them as a fellow student, and then I created curriculum and taught sustainability internships and service learning in multiple departments throughout the ten-campus system.

I was well into my 30's and solidly centered as a generation Xer, so working so closely with many diverse members of the Millennial generation was new to me. After working at IBM, Philips, and a few top boutique-engineering firms I felt I had worked with some of the best professional teams imaginable. Yet the values, brilliance, creativity, compassion, collaborative nature, integrity, and innate capabilities of the Millennials I worked with consistently allowed me to create and lead teams that surpassed anything I had previously experienced. I had little exposure to the type of Millennials that were referenced by friends and colleagues, which were described as arrogant, entitled, selfish, and shallow. I have now come to think of this sub-set of Millennials I worked with as the civics due to their consistent commitment and focus on planetary and community wellness. I found many reference to the notion of the Millennial generation being civic minded, including research from the Case Foundation and several other research partners. Their *2013 Millennial Impact Report* surveyed 2,665 Americans born between 1979 and 1994, who were mostly college graduates and employed full time. The report found that:



73 percent of Millennials volunteered for a nonprofit organization. Almost four out of five young volunteers said they did so because of their passion for the cause. More than half were motivated by their interest in meeting likeminded volunteers. And nearly 83 percent of young Americans donated money to a nonprofit last year. Young people value causes over specific organizations. They want to be involved in eradicating global poverty, combating human trafficking, or cleaning up a local watershed. It's not just about joining the Kiwanis Club or the Elks Lodge. While previous generations joined clubs and organizations first, and only then discovered ways to serve, today's young Americans see a problem first and then look for a way to solve it ("Millennials: The next Civic Generation | Philanthropy Daily" 2016).

The report's findings resonated with my experience of civic Millennials, who needed to work in an entirely new way. Values had to come first. And maintaining integrity in honoring those values, especially when choices were difficult, was a foundational principle repeatedly expressed by team members. Choosing values over ease or money became core to our team culture. Those years taught me that the civic Millennials want challenges framed by someone with the experience they don't have. Consistently, the Millennials I worked with wanted deep understanding of what they are up against and what has worked and not worked in the past and why. Once they had this understanding they asked for autonomy to brainstorm creative, out-of-the-box solutions that would have real impact. Then they sought mentorship to see if their ideas were feasible and for help in developing a realistic plan of action. Again, they wanted individual or team autonomy to explore and develop their ideas, but they also craved support and mentorship along the entire journey. The results of nearly a decade of working in a way that works for civic Millennials planted a deep respect for what they could do if they are understood and supported along career trajectories that eventually lead them to positions of leadership and power. They became my greatest inspiration for the future.

Inspired by the great capabilities of the civic Millennials, my passion moved from implementing sustainability projects to helping create institutionalized academic and career pathways for these important future leaders. As of 2008 there was no clear path for these students to make a career from their efforts. To create academic pathways, I created curriculum based on seven core principles of sustainability that could be integrated into any campus course. The University of Hawaii eventually adopted this curriculum and made it available to all faculty. Any course that integrated three of the seven core concepts would receive an S designation and students that completed a certain number of these S designated courses would receive a Minor in Sustainability.

While working to help create green career pathways in academia, I realized another major barrier students had to creating a career in sustainability was that they had one, two, or three part time jobs that paid the bills, but provide very little green career readiness. I envisioned a paid internship program where students could replace their part time jobs with meaningful sustainability work experience that would build their confidence and resumes and allow them to network with potential employers. The Rewarding Internships for Sustainable Employment (RISE) program was born with a goal of working with the private and public sector to create sustainability focused internships with a minimum of 15 hours per week paid at \$15/hour.

The first RISE client was through a connection we had made with the National Guard at one of our outreach events. Two interdisciplinary students, Sarah Rosen, a sociology student and Michelle Cosky, an engineering student worked together to perform a waste audit of the U.S. Coast Guard Sand Island Base. Their recommendations for recycling, compost, and bulky item disposal would save the Coast Guard \$16,000 annually. The Coast Guard became familiar

with their abilities and the interns grew in value as they learned more and more about the Coast Guard and the Base. As we had hoped, following their internships both students were hired full time to perform energy audits. The pilot saved resources and money, while fostering a conscious culture for the Coast Guard and creating new green jobs. With the triple bottom line of people planet and profit benefiting, the pilot was deemed a success.

Our second, larger pilot was for the head of Facilities for the statewide Department of Education (DOE). A six-member team representing architecture, engineering, urban planning, international business, economics, and political science performed a sustainability assessment of a K-6 school. The assessment included water, energy, and waste audits, as well as an Energy Star assessment, solar analysis, and education displays and workshops for all agegroups at the school. The team identified \$85,000 in no-to-low-cost savings and the DOE was pleased, immediately seeing how the recommendations could be implemented at similar schools across the state.

The demand for RISE interns began to grow and it was clear that the level of work requests were exceeding what was achievable from students working in 15 hour per week positions. It was time for me to create an organization and hire graduates into full time positions. Our biggest decision was a surprising one...should we be a non-profit or a for-profit? At the time of this decision in 2012 I had been the President of a non-profit organization called the Sustainability Association of Hawaii (SAH), which had a Board of Directors representing many sectors (education, non-profit, for-profit, government) from all across the islands. SAH had recently reevaluated its vision and mission after four years in existence. Rather than stand for the ideology of sustainability, we decided to position ourselves as the Voice of Green Business in the state. This was a massive change in perspective for me as my time in the

private sector had resulted in disdain for anything related to a profit motive. I was part of the Green Economy that pitted the environment and social good in opposition to the economy. I had demonized the private sector as the source of all the problems we were aiming to address. Yet as we connected with the members of SAH that were from the private sector I began to see that they were having greater success than other sectors at creating sustainability outcomes. I couldn't deny the value of the power of business when used consciously. And I wasn't the only one on the Board who experienced an overhaul in judgement. Collectively we all determined that our non-profit organization could have the biggest impact by supporting those using the power of the private sector to create sustainability outcomes. For a non-profit focused on sustainability to become a leadership organization for businesses in the private sector was the absolute last outcome of my Presidency that I would have thought possible. But we truly began to see the simultaneous benefit of the triple bottom line of people, planet and profit. We began to embrace the Blue Economy for its ability to create truly viable solutions for society and the environment. So when I asked myself whether our spin-off organization from the RISE program should be a non-profit or for-profit, I was torn as my personal perspective had evolved to embrace the value of both.

The solution became apparent as I led the SAH Board on a process of discovery to see what the private sector working for sustainability needed from us as an organization. The SAH Board surveyed approximately sixty green business practitioners and asked what would best support their efforts. The main response to the survey was in regard to *green washing*. Green washing was a trend in the era of sustainability where companies would position and promote themselves as having environmental and social values and practices, but would demonstrate little merit to these claims. Helping the public differentiate truly sustainable companies from

those that were just green washing became a key goal of SAH. We brainstormed the idea of a checklist where qualifying companies would have to fulfill a certain number of requirements to earn some sort of certificate or recognition. Before reinventing the wheel, I assigned everyone different geographical sectors and we all went in search of local, national and global checklists for best practices in what we thought of at the time as *green business*.

Our research unearthed many diverse green business checklists and it became apparent that they could be divided into two camps. Either it was designed with a low barrier of entry to usher in many companies, or it was truly rigorous and would ultimately qualify fewer companies. The benefit of the low-barrier-of-entry approach meant that the certification could boast many participants. The downfall was that those who were green washing could more easily join the club. The SAH Board was united in striving to identifying the check list that represented the most rigorous standards, yet still allowed diversity within those who qualified. In this way all that were truly trying to incorporate sustainability into their company practices could be included, and those further in the process could be reconized in a nuanced way. The B Corp certification rose to the top of our list for all these reasons and more.

The B Corp certification is administered by the non-profit B Lab located in Pennsylvania. Their checklist was the most rigorous we had seen, including areas of governance, employee policies, supply chains, vendor sourcing, community impact, etc. It covered all we had thought of and much more so we were inspired to bring it to Hawaii. We supported legislation recongizing B Corps in Hawaii, did many presentations on B Corp throughout the state to spread awareness, and helped the community recognize what I had reluctantly come to believe...that business could be used as a force for good.

When I reviewed the B Corp checklist, I knew if I formed a company rather than a non-profit based on the RISE program, we would qualify for the B Corp certification. Since I had run a non-profit for three years, I knew how a non-profit can limit agility in decision making so the idea of operating as a for-profit was attractive. My main hesitation had been my self-imposed stigma of selling out or crossing to the dark side of business, where growth and the profit motive reigned supreme. Yet the notion of having my company recognized as a B Corp addressed all my concerns. A B Corp certified company had to put in their Operating Agreement that they would honor the community and environment as prime shareholders, effectively aligning motives and decision making with my core values. Essentially by forming a company and receiving the B Corp certification we could have the agility of business, with the mission and governance of a non-profit. In 2012 I created Smart Sustainability Consulting LLC, which became the 5<sup>th</sup> B Corp certified company in Hawaii.

Through the B Corp certification process I realized that a company would have to have sustainability included in every element of their operations, policies and outcomes in order to qualify. So I was astounded that over 700 companies (as of 2012) nationally and globally were certified, and that some of the companies were familiar such as Patagonia and Ben and Jerry's Ice Cream. While I had led SAH to investigate green business checklists to create a local checklist to address green washing in Hawaii, I wondered if we had stumbled across something bigger. We were part of an elite group that was united in values and action across the world. While small in number compared to the rest of the economy, perhaps we could be mighty in impact. I wondered how these companies were interacting with each other and their realms of influence. Did they really have shared ideas, values, and beliefs or did they just know the right things to do to fulfill a check list? Were they having impact? Was that impact magnified due to

being part of a collective? Could it be? These questions became the foundation of my dissertation research.

#### 1.4 Problem Statement

As introduced earlier in this chapter, constructivist grounded theory recognizes that the research is a product of the interaction between the observer and the observed and between the observer and his or her field (Gibson and Hartman 2014, 60). As such, there is a special need to explore prior interests and preconditions (Gibson and Hartman 2014, 118). They are linked to motivations and if used appropriately such that they do not drive conceptualization of what is experienced by those in the study, they can be used to enhance the work (Gibson and Hartman 2014, 116). This enhanced reflexivity as described by Charmaz's seminal chapter on CGT (Charmaz, 2000) is the increased degree, in comparison to *traditional* grounded theory, in which the researcher and the researched interact with each other to produce co-constructed knowledge. Ultimately it is important to reflect on your prior interests and preconceptions to be aware of them and ultimately use them productively (Gibson and Hartman 2014, 119). This process begins by asking reflective questions such as:

What interests you about the area you are studying?

Why are you doing this study?

Are there particular outcomes you would like to see from your research?

Are you motivated to expose something hidden about the world?

Do you have particularly strong views and professional insights into the fields you wish to research?

What interests you about the area you are investigating?

How can you use the above information to enhance your grounded theory? (Gibson and Hartman 2014, 116).

After reflecting on the narrative of my positionality and the above questions, it became clear to me that my current core interest wasn't B Corp, it was creating the Blue Economy. So why had I participated so deeply in becoming a B Corp and leading local understanding of B Corps? Only because I believed B Corp might possibly play a significant role in creating the Blue Economy. This insight helped me form the problem statement for the project as follows: "How can market players and their power structures evolve to create a more stable, thriving economy, just society, and sustainable ecology out of the rapid changes of the next century?"

### 1.5 Purpose of the Study

The Founders of B Lab position B Corp as a movement that is creating measurable ripple effects in business structures that benefit the global economy, society and the environment. B Lab states that "collectively, B Corps lead a growing global movement of people using business as a force for good ("Why B Corps Matter | B Corporation" 2016)." The B Corp Declaration created by B Lab and signed by all B Corps states:

We envision a global economy that uses business as a force for good. This economy is comprised of a new type of corporation— The B Corporation —which is purpose driven and creates benefit for all stakeholders, not just shareholders. As B Corporations and leaders of this emerging economy, we believe:

- That we must be the change we seek in the world.
- That all businesses ought to be conducted as if people and place mattered.
- That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
- To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations (B Lab 2014a).

Thus B Corp represents a collective of market players attempting to operate in ways that address the problem statement. This project aims to shed light on the history, current state,



strengths and weaknesses, political significance and possible futures of the B Corp movement through the values, beliefs and ideas of those leading it.

Ultimately, the purpose of the project is to gain insight from B Corp leaders on:

1. Goals and core concepts for the Blue Economy.
2. Values, beliefs and ideas driving the processes, power relations, and structures of businesses for the Blue Economy.
3. The strengths, weaknesses and flaws of the B Corp movement.
4. The current and potential political significance of the B Corp movement.

This project recognizes that the challenges of overhauling the global economy is what is referred to by urban planners as a *wicked* challenge. This refers to many of society's current issues, such as our dependence on fossil fuel and the resulting problems such as climate change. A 1973 article by urban planners Rittel and Webber identified wicked problems as those lacking simplistic, straightforward responses due to their extreme complexity and uncertainty (Kelly, Cashore, Bernstein, & Auld, 2009, p. 6). For example, creating green-house gases depends on many factors including population, economic activity, the price of energy, availability of energy, technological advances, development of alternative sources of energy, government policies, world political stability, and public attitude (McFarland, Hunt, & Campbell, 2001, p. 3-13). With incomplete data the future influence of technological innovation and demand is difficult to foresee and incorporate into planning (Graefe, 2009, p. 11). Since these factors are unpredictable as well as inter-related, they represent the complexity and uncertain nature of wicked problems that seem insurmountable (McFarland, Hunt, & Campbell, 2001, p. 3-13).

The challenge of evolving the global economy certainly is wicked in its complexity. In her book *Climate vs. Capitalism* journalist Naomi Klein devotes the entire third section of the five-

hundred-page book to *Blockadia*, describing how communities across the globe are blocking corporations from mining their natural resources for private financial gain (Klein, 2015).

Politicians like Bernie Sanders' 2016 Presidential platform was focused on regulation to break up big banks that are *too big to fail*, amongst other reform measures to address corporate dominance in politics and the public sphere. These are just some examples how different stakeholders within their arenas of influence and expertise are doing their part in attempting to address the global wicked challenges of the current global economy driven by neoliberal globalization. Recognizing the nearly infinite efforts to this end, this project narrows in on the efforts of one slice of the private sector: business leaders who create triple-bottom-line companies and unite under the B Corp certification to be a business led movement for the evolving the global economy by using business as a force for good. While other approaches may deem all economic activity as problematic, this group represents the perspective within the greater picture that business can be part of the solution.

## 1.6 Guiding Research Questions

The overarching research questions guiding the research are as follows:

1. What common goals and core concepts emerge from B Corp leaders to articulate the Blue Economy?
2. What values and beliefs are common amongst B Corp leaders and where did they gain them?
3. What ideas do B Corp leaders have, and have they implemented, for the processes, power relations, and structures required to create businesses that drive a movement toward a thriving, just, ecologically sound Blue Economy?

4. How do B Corp leaders describe the B Corp movement for the Blue Economy? What do they see as unique about the movement including its strengths, weaknesses and flaws?
5. What do B Corp leaders believe is the current and potential political significance of the B Corp movement?

### 1.7 Significance of the Study

This research is being performed at an unprecedented time in the B Corp trajectory. B Lab has only been in existence since 2006, with the first B Corp certified in 2007 (“What Are B Corps? | B Corporation” 2016). Since I began this research in 2012, the number of B Corps have more than doubled. There are 1500+ businesses across the globe that have participated in this rigorous certification, demonstrating their commitment to using business as a means of creating environmental and social impact. If this movement continues to grow through its own determination, and through positive resonance with other trends, this could be the thin leading edge of a wedge that could disrupt the underlying ideology that our economy is based upon.

Belief in, as well as action to address, global warming has become more central to the global stage, as demonstrated by agreement of many nations’ leaders in Paris. The majority (83%) of 2014 MBA graduates across the nation agree that they would take a lower paying job by 15% if it seeks to make a social or environmental difference in the world (“[www.netimpact.org/business-as-Unusual](http://www.netimpact.org/business-as-Unusual)” 2016). And with major financial firms such as Goldman Sachs and Morgan Stanley launching investment mechanisms that take into account environmental, social and governance (ESG) factors, the Wall Street Journal recently announcing that “sustainable investing has gone mainstream” (Davidson 2016). A United Nations supported initiative whose signatories pledge to incorporate elements of sustainability into their financial decision-making includes investors that manage about \$59 trillion, or about

half, of all institutional assets world-wide, a jump of about 37% from 2014 to 2015 (Davidson 2016). These trends create a demand for companies like B Corps. Even those only considering the bottom line have to take a serious look at triple-bottom line companies that consistently outperform their competitors financially in many sectors of the economy.

The growth of these trends could combine to create resonance that results in significant change including shifting underlying principles of economic activity to include positive social and environmental outcomes. Or they could stay on the fringe of mainstream activity, or worse, fizzle and succumb to the dominance of the current growth and profit motive. While it is early in the trajectories of these trends, this research has the opportunity to detect if they are growing and if they are resonating and magnifying their collective impact. This project can also unearth what is working and not working for triple-bottom-line companies so that challenges may be addressed and successes leveraged. If these companies turn out to be the trailblazers of the Blue Economy, then the sharing of their insights and lessons could lend great value to those who follow in their footsteps. Since the B Corp movement has been trending towards growth in both size and impact over the last few years of this project, the significance of the findings of this research could provide insight and guidance to those striving to create a sustainable future economy.

## **1.8 Chapter Summary – Dissertation Overview**

This first Chapter introduced the terms Brown Economy, Green Economy, and Blue Economy. In introducing this trajectory of economic activity and ideology, the reader gains context and understanding around the New Economy that is the focus of this research project. The research method of constructivist grounded theory is also introduced, mostly to explain the value of my reflexive role in the research. In describing my positionality, I share my past

experience in the Brown Economy, how I came to believe in the Green Economy, and how I eventually reluctantly became a participant and leader in the Blue Economy. I then use insights from my experience along with shared perspectives found in a comprehensive literature review to describe three overarching goals and seven guiding principles for the Blue Economy that will be explored in the research. This informs the problem statement, research questions and potential significance of the study.

Chapter 2 contains the projects' literature review which begins with the history of economic thinking that underpins our current economy and its challenges. While some economic theory has evolved beyond neoliberalism, in practice we are currently living in a world dominated by free market ideology, and this ideology was put forward by Friedman based on his interpretation of Smith so their theories are heavily explored. The social movements that rose up in response to globalization are then discussed and approaches to analyzing these, as well as current, social movements will be explored to inform a framework for analyzing B Corp as a movement. Finally, the literature from the key thinkers in the field of the Blue Economy are used to synthesize the current conversation on perspectives on the Blue Economy as well as solutions going forward, including B Corp.

Chapter 3 on the methods of the project introduces the B Corps being studied, including how they were selected and how they came to participate in the interviewing process. The objectives, or the goals of the research, are introduced and include developing theory around triple-bottom-line business leaders, triple-bottom-line business structures, visions for a Blue Economy, and the current and potential role of B Corp in creating a Blue Economy. This chapter also describes the data collection research method. I chose grounded theory specifically because it does not begin with a hypothesis, but rather a population that has experienced a common phenomenon, in this case the B Corp certification process, and tries to

build theory from their experiences, ideas, beliefs, and perspectives. I narrowed the research method to Constructivist Grounded Theory since it greatly values this reflexive position of the researcher. I also describe William Connolly's *resonance* analytic tool for theory building, using his *evangelical-capitalist resonance machine* comprised of evangelical Christians, cowboy capitalists, and right-wing media as a template for assessing the resonance structure of B Corp as a movement. A modern framework for assessing current social movements is also introduced.

Chapter 4 is divided into three parts. The first summarizes the findings from the qualitative research beginning with a summary of the common themes and core concepts that emerged from interviews with B Corp leaders. These are then compared and contrasted with the framework for the Blue Economy that emerged from the literature review. The second section summarizes the common values, ideas and beliefs that emerged from interviews with B Corp leaders including a summary of how these companies created structures to operationalize these philosophies. Four common paths emerged throughout the interviews, representing trajectories of individuals into triple-bottom-line companies, while only one path with distinct phase characteristics was repeatedly reported in the journey from a startup to a successful B Corp. The attributes of these five paths, along with their significance for the B Corp movement, are then discussed. The final section explores the leaders' insights into the movement itself, including their ideas on whether it is an actual movement or not, as well as their responses to the SWOT (Strengths, Weaknesses, Opportunities and Threats) framework used to extract their understanding of the strengths and challenges within the movement. This section then assesses the B Corp movement using various frameworks for assessing social movements. The chapter concludes with ideas around the B Corp's potential political significance as described by its members.

Chapter 5 uses the findings from the research explored in Chapter 4 develops four potential scenarios of a future New Economy in terms of worst and best case scenarios. Building on the elements of the four scenarios that are desirable and undesirable, one vision of my preferred future is developed. Using current trends emerging from the 2016 Presidential election I envision what could be possible if B Lab were to leverage its strengths and unite with resonate organization in working toward a new economic-political system. The Chapter concludes with relevant recommendations for future research.

## CHAPTER 2. EXPLORING THE BLUE ECONOMY

### 2.1 Chapter 2 Introduction

The introduction of this project provides an overview of the trajectory in ideology from Brown to Green to Blue economic thinking. Adam Smith's *The Wealth of Nations* published in 1776 provided the seminal work that laid the foundation for the Brown Economy and classical economic theory. This chapter will reference Smith's seminal work to launch an exploration of the economic theory that laid the structural groundwork for the corrupted economic players and distorted market mechanism characterized within the Brown Economy. This will lead to a discussion of the culmination of these warped ideologies in the neoliberal agenda championed by Milton Friedman and the Chicago School of Business that resulted in the environmental and social exploitation inherent in globalization. While economic theory has evolved in many diverse ways to be more nuanced and comprehensive this project recognizes that when one looks outside of theory to day-to-day practices, we must agree that we are still living in a world dominated by free market ideology, and this ideology was put forward by Friedman based on his interpretation of Smith. This economic theory is used to underpin today's economic hegemony and leads to a discussion of the social movements that rose up in response. Approaches to analyzing these, as well as current, movements will be explored to inform a framework for analyzing B Corp as a movement. Finally, I will use literature from the key thinkers in the field of the Blue Economy to synthesize the current conversation on perspectives on the Blue Economy as well as solutions going forward, including B Corp.



## 2.2 Tracing the Foundational Cracks of Economic Theory

### **Classical Economics**

Adam Smith is widely accepted as the forefather of economics and his seminal work, *The Wealth of Nations* (1776), laid the groundwork for classical economics. Smith introduced the notion of a market that operates by an *invisible hand* that, through its natural mechanistic functioning, efficiently allocates wealth through trade, not only to the betterment of the traders, but to the betterment of society (A. Smith 1776, 572). Smith believed that market trade created equilibrium by balancing production and consumption, resulting in the most optimal allocation of resources and highest possible wealth for the nation (Smith 1776, 627). Hence Smith's theory is often referenced as the *equilibrium market*. Another of Smith's foundational principles referenced the relationship between supply and demand, where an increase in the quantity of a commodity would reduce its scarcity and thus make its price decrease, stating that "an increase in the quantity of silver...could have no other effect than to diminish the value of the metal" (Smith 1776, 453). Smith also emphasized the importance of competition to avoid the dangers of monopolies that damage management, market prices, and collective profits, stating "to promote the little interest of one little order of men in one country, it hurts the interest of all other orders of men in that country, and of all men in all other countries" (Smith 1776, 778). Smith's mechanistic trade market operating to balance supply and demand through competition to maximize the wealth of all nations became the foundational theory of mainstream modern economics that persists to this day, influencing much of economic thinking to some degree including Brown, Green and Blue.

## ***Neoclassical Economics***

While the many decades following the publication of *Wealth of Nations* saw the development of multiple iterative economic theories, it was the rise of neoclassical economics during the Industrial Revolution that structured the flawed foundation of the economy as we know it today. Norwegian economist Erik Reinert has received awards for his evolutionary historical research on the political economy and his understanding and critique of neoliberal agendas based on neoclassical economics. His article, *Neo-classical Economics: A trail of economic destruction since the 1970s*, describes how neoclassical economics developed its mathematical modeling based on the classical theory of Smith. Still characterized by the dynamics of supply and demand and the concept of an idealized capital market that distributed resources efficiently, Reinert describes how neoclassical economics became marked by its development of complicated theoretical models that additionally assumed that market users operated with perfect rationality and knowledge (Reinert 2012, 19; Stiglitz 2015, 25). Neoliberal economics rose in the 80s as the *application* of the heavily mathematicized theoretical neoclassical economic model in the staggeringly non-utopian context of the real world.

Neoclassical economics is mathematical theory, while neoliberal economics is the political action based on the theory. So in addition to wielding utopian mathematical models, neoliberal economics came with a political agenda led by reverence for the *free market* to address public sector inefficiencies by eliminating “government-imposed distortions,” especially in the case of subsidies and public ownership (Dang and Pheng 2015, 19). Hence, policies of the neoliberal agenda are based on extreme privatization (Dang and Pheng 2015, 19). Author Naomi Klein best chronicles these policies in her book *This Changes Everything-Capitalism vs.*

*The Climate* (Klein 2014). Her research concludes that the three pillars of neoliberal policies include privatizing the public sphere, deregulating the corporate sector, and cutting non-military public spending to lower corporate income taxes.

To situate this research in the trajectory of economic development, the following sections explore the foundations of neoclassical economics and the neoliberal actions and outcomes that resulted from applying its mathematical model based on Smith's classical economic theory to the real world resulting in the economy as we know it.

### ***The Market and Individuals: Rationality and Perfect Information***

Joseph Stiglitz of Columbia University formerly taught at Princeton, Stanford and MIT. He also served in economic leadership positions for President Clinton and the World Bank, both of which he eventually critiqued for their impact on developing countries. He was a lead author of the 1995 Report of the Intergovernmental Panel on Climate Change, which shared the 2007 Nobel Peace Prize and shows his early support and understanding of today's issues. Most importantly, in 2001, Stiglitz was awarded the Nobel Prize in economics for his analyses of markets that revealed the limits of current economic thinking. In 2011, *Time* named Stiglitz one of the 100 most influential people in the world and he is now serving as President of the International Economic Association ("Bio | Joseph E. Stiglitz" 2016). Stiglitz is a global leader in critiquing neoclassical economics and the resulting neoliberal agenda so his current perspectives will be heavily referenced throughout the following arguments.

Neo-classical economics is based upon a flawed assumption about how individuals function in the market. First and foremost, it assumes that people act rationally for their self-interest, which is expressed primarily through the quest for financial gain (D. C. Korten 2001, 76; Schor 2010, 169). Stiglitz's states that throughout most of history the notion of rational agents

acting with rational expectations was taken almost as an article of faith in economic theory (Stiglitz 2015, 24).

American economist Bernard Hodgson wrote of the limitations of this assumption in his book *Economics as a Moral Science* (Hodgson 2001). In Dennis Badeen's often cited paper "Bernard Hodgson's Trojan Horse Critique of Neoclassical Economics and the Second Phase of the Empiricist Level of Analysis," he summarizes Hodgson's view of rationality in neoclassical economics as the assumption that individuals make choices by considering costs with the goal of maximizing their personal gain (marginal utility) through the increased consumption of a good or service (Badeen 2012, 17). This assumption of rationality has commonly been used by neoclassical economists to justify the pursuit of ever increasing wealth (Schor 2010, 169). Badeen summarizes Hodgson's argument as follows:

The target of Hodgson's critique is the empiricist epistemology underlying Neoclassical rationality. Empiricist epistemology is the notion that knowledge claims can only be made and justified by immediate observation of phenomena by the five senses... Empiricist epistemology is closely connected with empiricist naturalism and the Humean reduction of reason to instrumental rationality... The Humean reduction ignores the role of human reason—the capacities for ethical deliberation over the desired end and self-determination in, among other things, controlling the passions... Hodgson's solution to the issues raised by empiricist epistemology—empiricist naturalism and the Humean reduction—is embodied by what he terms the second phase of the empiricist level of analysis. In brief it surpasses empiricist naturalism by implicating the economic agent within his or her socio-historical and institutional context. It also surpasses the Humean reduction through recognition of the role of ethical deliberation and self-determination in human rationality (Badeen 2012, 16).

Harvard business professor, Board Chair of *Yes Magazine*, and author of *Agenda for a New Economy*, David Korten, argues that in the 1700s when this assumption was first postulated by Smith, small farmers and artisans traded in a market trying to get the best price for the products to provide for themselves and their families, emphasizing that this is what was meant by self-interest (D. C. Korten 2001, 81). Additionally, modern economic theorists, such

as Juliet Schor in her book *Plentitude: the New Economics of True Wealth*, point out that individuals in reality have reflectivity, self-determination, objective conditions of choice, and complex motivations and views of well-being (Schor 2010, 11; Badeen 2012, 17). Thus the critique of economic theory's oversimplified perspective of the "economic man" states that rationality as self-interested (utility) maximization is far too thin a notion to capture the empirically obvious complexity of human rationality including complexities in motivation, behavior, and evaluation of what's important (Badeen 2012, 18).

Reinert also criticizes neoclassical economics for being modeled on the unrealistic ideology of "perfect information" where people have access to all the relevant information needed to make a decision (Reinert 2012, 9). Perfect information implies that all consumers know all things about all products currently and in the future and therefore always make the best decision regarding purchase. According to neoclassical theory, when consumers with perfect information choose the best products by purchasing them in the market, the company will be rewarded by increased sales. This will serve as a feedback mechanism letting them know that the consumer has voted in favor of their product or service and they will continue to produce to serve the expressed desires of consumers through the dialogue mechanism of the market. This is often called "voting with your dollars."

Environmentalist, entrepreneur, and author, Paul Hawken, challenged the notion of perfect information in his book *The Ecology of Commerce*, stating over twenty years ago that the information accessible to most people comes in the form of media with the average adult seeing 21,000 commercials per year, of which 75% are paid for by the hundred largest corporations in America (Hawken 1993, 131). He further emphasized that more money is spent by corporations encouraging consumption than is spent on secondary education in America and

only a few of the 3000 daily marketing messages received by the average person are invited (Hawken 1993, 132). Hawken described advertising as creating envy and a sense of inadequacy that results in inappropriate, unnecessary, and wasteful consumption that is responsible for civilization's overshooting of our present carrying capacity (Hawken 1993, 132). While Hawken supported the need for information in the economy, which could include advertising to inform, direct, and educate, he concluded that "in its present form it is an invasive expression of commerce" (Hawken 1993, 132). These dynamics introduced in economic theory literature over twenty years ago are obviously still prominent, and arguable more so, today.

Stiglitz's research ultimately resulted in a Nobel Prize-winning mathematical theorem that showed that whenever there was asymmetric information in a market, meaning any imperfections in information as described above, markets do not operate according to neoclassical economics with the key important implication that privately profitable transactions may not be socially desirable (Stiglitz 2015, 20). This seemingly obvious logic outlined in mathematical actuality provided the mainstream foundation for new economic thinking, simply based on the consideration of how the real world actually works in opposition to the idealized model of neoclassical economics.

### ***Firms and the Market: Perfect Competition***

Another significant assumption of neoclassical economics is that of perfect competition in the market. In such a perfectly competitive market no participant can individually influence the price of the product he buys or sells so that every participant is a "price taker" (A. Smith 1776, 339). The market of classical economics requires many equally perfect components such as an infinite number of buyers and sellers, no barriers of entry and exit for market participants,

perfect information uniformly accessible by all participants and zero transaction costs (D. C. Korten 2001, 81).

To explore the implications of this assumption that is relevant to this project, let's look to the ideas of Gardiner Colt Means, a Harvard economist who created seminal work on corporate governance in his book *The Modern Corporation and Private Property* published with co-author Adolf Berle in 1932. American economist Frederic Lee, who provided contributions to economic theory in the areas of pricing, production, costs, market competition, market governance and the modeling of the economy, produced a 1990 article called "The Modern Corporation and Gardiner Mean's Critique of Neoclassical Economics," which provides great insight on firms and markets based on Means seminal work.

The classical economic model of the firm inferred that ownership, control, and management all resided in the same group of individuals who assumed both the risk and the profits of the corporation (Lee 1990, 676). The most important feature to note about this simplified classical economic model of the firm on which neoclassical assumptions were based, was that the owners were also the workers and shared directly in the fruits of their labor (A. Smith 1776, 19). There was no middle management, no shareholders, no division of labor, no vertical integration, and generally a single type of material input produced a single good (Smith 1776, 14). This means that the scale of production was limited to the amount of work the owners were willing to do or could do (Lee 1990, 676). The market was comprised of many extremely small firms that individually held no power to direct its fate in the market such as blocking competitors from entering the market or charging prices that would bring abnormally high profits for the time (Lee 1990, 676; A. Smith 1776, 85). In such a market, competition driven by the motive of profits and managed by substitution and perfectly flexible prices might actually be

effective in creating market equilibrium as the market price quickly moved to correct any imbalance between supply and demand (Smith, 1776, 676, 677).

The assumption that the market will automatically ensure the most efficient allotment of resources including full employment could conceptually make some sense in the idealized model market described above. This was more representative of the world of the British and American economies during the classical period of economics, marked by Adam Smith in the period spanning from the late 18<sup>th</sup> to the mid-to-late 19<sup>th</sup> centuries (Colander 2000, 130; Lee 1990, 677). Production and distribution were carried out by a large number of very small owner-controlled and operated enterprises who determined prices during the trading or bargaining process itself, rather than by a previously established price (Lee 1990, 676; A. Smith 1776, 41).

All these assumptions on which neoclassical economics envisioned the market and the firm changed with the growth of companies in the mid-1800's leading up to the Industrial Revolution (Klein 2007, 22). Beginning with the emergence of the factory system and later by the emergence of the large corporate enterprise, the economic system underwent epic and irreversible change (Lee 1990, 678). US corporations grew due to military contracts associated with the US Civil War and massive grants from the government for the expansion of the railway system (D. C. Korten 2001, 64). With employed workers separated from ownership and the control of the enterprise, a managerial structure was required as the size of each firm grew enormously (Lee 1990, 678). A labor movement grew beside it. Between 1897 in 1904 union membership grew from 447,000 to 2,073,000 in the US (D. C. Korten 2001, 66). Corporations gained sufficient control over key state legislative bodies to essentially rewrite the laws governing their own creation and operation, leading U.S. President Hayes to complain that "this is a government of the people, by the people, and for the people no longer. It is a government of



corporations, by corporations, and for corporations” (D. C. Korten 2001, 65). Owners began to experience costs to transactions and responded by setting wages and market prices to offset these costs. So as the business enterprise size grew, transaction costs grew as did the practice of setting prices and wages (Lee 1990, 678).

The important result was that the market stopped being the sole determiner of market prices and effectively ceased to be the sole regulator of economic activity as assumed by classical and then neoclassical economics (Lee 1990, 678). Prices were no longer perfectly flexible. The numbers of market participants were reduced, transaction costs increased, and large corporations whom might not even represent a monopoly could set market prices. Anything resembling perfect competition in the market, if it had ever been alive, was now certainly dead, and the assumptions necessary for perfect competition on which neoclassical economic theory was built did not at all reflect reality. Economist Arthur Burns spoke to this failure of the economic theory to reflect reality in 1954: “The warnings of a Marx, a Veblen, or a Mitchell that economists were neglecting changes in the world gathering around them, that preoccupations with states of equilibrium led to tragic neglect of principles of cumulative change, went unheeded” (Dang and Pheng 2015, 8).

Unfortunately, as neoclassical theory emerged during the Industrial Revolution, it did not take such warnings into account. It made no attempt to evolve classical economics to better reflect reality. Neoclassical theory instead took economics in a direction that would lay the groundwork for the fatal flaws of corporate structure, the free market, and the modern capitalist system that has wreaked havoc on the world’s natural resources. As Stiglitz writes “(economics) too largely ignored financial markets, credit, and a host of other behavior hard to reconcile with observed macro- and micro behavior” (Stiglitz 2015, 25).

### ***The Market and Society: Efficient Allocation***

Everywhere economic theory came to follow the same path of least mathematical resistance towards equilibrium as being the only dominating metaphor (Dang and Pheng 2015, 8). American economist David Colander, known for his study of socioeconomics, states that while classical economists like Smith asked questions about the social context of the economy including the basis of value, people's rights, and the creation of national wealth, neoclassical economics retreated from such debates to further reduce economics to an objective science (Colander 2000, 130). The old doctrines of Adam Smith that referred to an interpretation of individualistic natural law were used by neoclassical economists to describe a dehumanized mechanical view of the market where the deterministic invisible hand of the market would efficiently allot resources and take care of society (Reinert 2012, 15; Rifkin 2011, 206; Daly 1996, 154).

In his 1776 book, *The Wealth of Nations*, Smith mentions the famous invisible hand only once in the entire 1000 pages as follows:

By preferring the support of domestic to that of foreign industry, the entrepreneur intends only his own security, and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and his is in this, as in many other cases, led by an invisible hand to promote an end which he was no part of. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it (Smith 1776, 572).

Considering the inability to easily move capital in the 1700's, this statement could be interpreted as advocating for the benefits received by the community from an entrepreneur with strong relations in his community (D. C. Korten 2001, 84; Daly 1996, 154).

Former environmental economist for the World Bank, co-founder of the journal *Ecological Economics*, and developer of the *Index of Sustainable Economic Welfare*, Herman Daly, reminds in his critiques that neoclassical economists were individualists (Daly 1996, 153).

As such, neoclassical economists interpreted the invisible hand to mean that the action that yields the greatest financial return *to the individual or firm as it is known today* also yields the most benefit to society (D. C. Korten 2001, 76 ). Neoliberal policies were built on the foundation of this interpretation. Reflecting on Adam Smith's influence on neoclassical economics and the resulting neoliberal agenda, some theorists see Adam Smith as the original evil designer of the capitalist machine (Klein 2007, 305; Rifkin 2011, 206; Alperovitz 2013, 51). Others advocate that Smith's intention has been improperly represented and further cite *The Wealth of Nations*, where he criticizes institutions that effectively defend the rich against the poor (D. C. Korten 2001), favor those who have some property against those who have none at all (Reinert 2012), or had awareness of some of the limitations of free markets as stated by Stiglitz (Altman 2006). Whether it was Smith's intention or not, his work has been cited by neoclassical economists and neoliberals to build the destructive force of the global capitalist economy we know today.

It is clear in *The Wealth of Nations* that Smith had a "middle-of-the road" approach to the role of government. He advocates that government is necessary to help avoid monopolies, ensure private sector interests don't prevail over public interests, and to protect the poor. But he warned against the notion of big government that overstepped its role in the private sector:

The Statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever (Smith 1776, 573).

Smith also opposed any form of economic concentration within a corporation on the ground that it distorts the market's natural ability for both buyers and sellers to fairly set prices and optimally allocate society's resources, much like a monopoly (Korten 2001, 62, 81). Smith states "the exclusive privileges granted to corporations... are a sort of enlarged monopolies, and may

frequently...keep up the market price of particular commodities above the natural price (Smith 1776, 87).”

Yet despite Smith’s clarification of his dislike of *both* big government and big corporations, neoclassical economics decided to retain the dislike of big government and conveniently dismiss the dislike of big corporations. Korten emphasizes that neoliberal theory clung to the interpretation of the need for no government intervention in the market *in support of* the unrestrained greed of corporations, advocating that it would result in socially optimal outcomes (Korten 2001, 62, 81). This is the foundation of the justification of the free market, which is a market operating in the absence of government intervention or authority.

Neoliberals built ideologies on these economic models stating that they fundamentally prove that free markets, unrestrained by governments, result in the most efficient and *socially optimal* allocation of resources (D. C. Korten 2001, 76). Building on this logic, privatization should move functions and assets from governments to the private sector to improve efficiency, lower prices, and increase responsiveness to customer preferences, resulting in the focus of the neoliberal agenda on privatization (D. C. Korten 2001, 76; Dang and Pheng 2015, 19; Klein 2014). Yet the potential benefit of privatization relied on perfect competition in the market, which was clearly dead as described in the previous section. The conditions for such a market had faded with the growth of companies and the separation of control from ownership. And the greater the deviation from these conditions, the less socially efficient the market system would become (D. C. Korten 2001, 81). Stiglitz emphasizes that economists have long clung to the belief that government should step aside so the market can optimize allocation of resources for society:

There was among economists, the general belief that markets worked well, that they were stable and efficient...so strongly were these beliefs held that in the mist of the Great Depression, a majority of American economists supported the notion that government should do nothing. Markets would self-correct. These economists did not, of course, explain why matters had gone so disastrously (Stiglitz 2015, 23).

### ***The Market and Social and Environmental Costs: Externalization***

Stiglitz states that the assumption of efficient allocation in neoclassical economics that leads to the claim that the unfettered market will inadvertently benefit those outside the economic system, including society and the environment, is further exposed as false through the realities of externalities (Altman 2006). Components of the environment such as the air we breathe, the water in the ocean and the Earth's biodiversity had no price associated with them so they were simply not included in the neoclassical economic models. These are called externalities, meaning that they are external to the economic models of firms and the market (Speth 2008, 91). Negative externalities are negative effects that a market activity has on a third-party not directly involved in the activity (Rifkin 2011, 207), such as the pollution breathed in by a community living near a power plant. Externalizing some of a product's or process's costs to others who are not participatory in the transaction can also be viewed as a subsidy that encourages excessive production and use of the product at the expense of others (D. C. Korten 2001, 82). Such third parties include society as a whole, the environment, and future generations who pay the price that producers never could afford. In his book *The Third Industrial Revolution*, American economic and social theorist and author, Jeremy Rifkin, makes the salient point that if market players did have to pay the cost of the externalities, the compensation would likely far exceed their profits and market capitalism wouldn't survive (Rifkin 2011, 207).

An unregulated market encourages the externalization of costs because the resulting public costs become private gains (D. C. Korten 2001, 83). Thus the neoliberal agenda urges governments to provide subsidies including natural resource giveaways, low-wage labor, and lax environmental regulations in the name of freeing the market but with the obvious intent of helping the company become more internationally competitive (D. C. Korten 2001, 83). In his book *Capitalism and Christianity, American Style* political theorist Bill Connolly mocks corporations with their two-part harmony when dealing with the state: “If it weren’t for state interference, the market would flourish”; and in a lower key, “please give us more subsidies, support, criminalization and ideological cover so we can continue to sing our song” (Connolly 2008, 26). In his book *The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability*, former Dean of the Yale School of Environmental Studies, James Speth emphasizes that ultimately, this results in producers and consumers not receiving correct signals about the true scarcity of resources they use up, or the cost and environmental damage they cause (Speth 2008, 91). Thus as the market grows, externalities grow along with it in the form of pollution and consumption that exponentially continue to erode the world’s environmental resources. Seth’s book ultimately argues that an economy that supports “consumer capitalism,” where consumer demand is manipulated on a large scale to benefit corporate profits, needs to be completely rethought with environmental issues prioritized over re-boosting the economy (Speth 2008).

### ***The Market and the Future: The Myth of Growth***

If growth increases externalities and externalities are causing extreme damage to our world’s ecosystem, then an essential root question becomes: what is causing growth? Economist Juliet Schor states that even in the neoclassical model, where companies perfectly

compete in impossibly perfect markets, the emphasis is placed on efficiency, not growth, to increase profits (Schor 2010, 170). Economic and social theorist Jeremy Rifkin also perceives that the concept most highly prized among neoclassical economists is the notion of increasing the efficiency of productivity defined as a unit of output per unit of input, where inputs include capital and labor (Rifkin 2011, 203, 204). Ecological economist Herman Daly states that classic economists thought that the economy would naturally end up in the stationary state, with wages at a subsistence level and the surplus going to landlords as rent, with nothing left over for the capitalist's profit, and therefore no motive for further growth (Daly 1996, 3). So while there is a widespread belief that a market must grow, it actually doesn't have much grounding in economics (Schor 2010, 169). If there is no economic basis for the widely accepted notion of growth, then what is driving it? Founder of Business Ethics magazine, Marjorie Kelly places it within the silent growth of financialization, which is the shift in the economy's center of gravity from production to finance, as the key to what has created out-of-control growth (Kelly 2012, 70). So what has caused financialization? Many point to the separation of control from ownership.

Mean outlined three distinct concepts when considering the structure of a corporation: ownership, control, and management (Lee 1990, 680). By his definition, owners solely own the shares of the corporation. Control is the power to direct the corporation's activities and determine the distribution of corporate profits. The concept of control can be extended to the individuals who have the power to select those that hold such control, usually the senior executives and the Board of Directors. Management includes individuals who actively run the day-to-day affairs of the corporation and are responsible for its technical and financial health (Lee 1990, 680).

With the separation of ownership from control during the Industrial Revolution there was a new confusion around the role of profits. Classical models believed surplus profits, or the profits that remain after interest and wages have been paid out, served as a reward for the performance of 1) taking risks and 2) directing the enterprise to maximize its profits (Lee 1990, 682). These two functions were now performed by two different groups with the owners risking wealth and the controllers directing the corporation (Lee 1990, 682). Means argued that the owner shareholders should only receive the amount needed to compensate for the risk, that is to provide them with a satisfactory return, and the rest should go to the controllers as incentive for better management, which would theoretically result in social benefit (Lee 1990, 683). Yet given the decline of the effectiveness of competition to regulate the market due to the rise of fewer but larger modern corporations, Means concluded that the profit motive, as defined by neoclassical economics, could not result in directing economic activity to the benefit of the larger society (Lee 1990, 683). The corporation was no longer structured to serve society even if the market were structured perfectly according to neoclassical myth.

The split between control and ownership caused other dysfunctions, which became intrinsic flaws to the structure of the corporation. It was now possible that the interest of those who controlled the corporation's profits and activities in pursuit of profits would diverge from its owner shareholders by pursuing personal gain to the detriment of the owners (Lee 1990, 680). The rise of corporations indeed saw a shift in power from the shareholding owners to the controllers who could determine the route of earnings as well as the rights of stockholders (Lee 1990, 680). This led to the notion that a legal structure would be needed to protect the shareholders by focusing the power of controllers on benefiting the interest of shareholders (Lee 1990, 680). This led to the 1920's fiduciary theory of corporations that drew on common law to argue that the powers of management and controllers should be used only for the equal



advancement of the interest of all shareholders and that any other use of their power could be stopped by injunction or remedied by a judgment for damages (Lee 1990, 678). The advocate of this theory, Adolf Berle, felt that this repaired legally the possible breach between owners and controllers that came with the separation of ownership from control (Lee 1990, 680).

This is one of the major cracks in the foundations of corporate structure. In *The Wealth of Nations* Smith warned:

“the directors of such companies, however, being the managers rather of other people’s money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private company frequently watch over their own. Negligence and perfusion, therefore, must always prevail, more or less in the management of the affairs of such a company” (D. C. Korten 2001, 84).

The separation of ownership (those who hold shares) and control (those who distribute profits) also split property into two categories coined as passive and active property by Means in the 1930s. The passive property of ownership was comprised of shares and stocks and bonds, each representing a claim on real property, income and wealth. The active property of controllers included the tangible goods and property of the corporation (Lee 1990, 681). This created the foundation for the separation of the financial economy (comprised of claims on real assets such as stocks, bonds, loans, and mortgages) from the real economy (where people own houses and make and sell real things) (Kelly 2012, 67). Stiglitz describes the resulting dynamics as follows:

Recently, I have been working on (economic) models in which there can be large changes in *perceived* wealth. When individuals have different expectations...then there is scope for them to engage in bets. Each of the two sides believes that they will win, and the sum of the believed wealth exceeds the "true" wealth. I refer to this perceived wealth as "pseudo-wealth." Of course, when the bets are settled, one side will win, the other will lose, and pseudo-wealth will get destroyed. But if differences in beliefs persist, then new pseudo-wealth will be created. But if for some reason, there are changes in the economy such that the ability and/or willingness to engage in such pseudo-wealth creation changes, then the total perceived wealth of the economy can change quickly. There will then be large changes in levels of consumption and investment and other aspects of economic activity. An event such as the bursting of a real estate bubble can

change both the ability and willingness to engage in bets (and thus the level of pseudo-wealth in the economy)(Stiglitz 2015, 29).

An economy where speculation drives activity is reflective of our current financial economy. Kelly says that the financial economy can be pictured as a sphere dwelling above the real economy and drawing on its energy (Kelly 2012, 68). While these dwelt in close proximity and remained similar in size for many decades, by 2005 the financial economy was four times that of the real economy represented by the Gross Domestic Product (GDP) (Kelly 2012, 68). So we come back to the question of what drove this massive financialization?

There are practical reasons why companies like growth. When companies borrow money, they need bigger profits because they have to use them not only to improve productivity but also to pay off their bankers (Schor 2010, 168). Companies also like growth because they want to capture market share, achieve economies of scale, demonstrate status, etc. While companies might like growth, Kelly insists that financial markets create an addiction to growth, transforming a preference into a white-knuckle need. In this way Kelly proposes that growth is an imperative of finance, not of business itself (Kelly 2012, 123). So if business did not drive this massive flow of money from the real into the financial sphere, what did?

Kelly advocates that deregulation policies that were core to the neoliberal agenda, such as that which allowed banks to participate in more speculative activities, created unprecedented opportunities. Between 2000 and 2004 home values soared by 40%, but homeowners ended up with a lower percentage of equity ownership since the gains in home values went to creditors (Kelly 2012, 74). The top 1% wealthiest came to own more than half of the assets in the United States and 70% of all financial assets (Kelly 2012, 74). Effectively this shifted assets from the real wealth of ordinary people to the financial assets of elite. Kelly thus attributes the rapid financialization to the drive for wealth as a human impulse – one among many impulses- that

unfortunately was the impulse to become institutionalized into a collective force on a massive scale (Kelly 2012, 74). It was not happenstance that this impulse won, but rather the structure of markets and corporations that institutionalized greed. It is the deregulated financial markets that placed and continue to place incredible pressure on corporate managers to achieve high profit growth (Speth 2008, 61; Klein 2007). For the financial sector holds the shares and based on law that emerged due to the separation of control from ownership, the Board of Directors and senior executives that are driving the company (the controllers) must legally do all they can to serve the interests of those who hold the shares (the owners). As such, corporations are required by law to grow and increase in monetary value since that is what is demanded by the shareholders (Speth 2008, 62).

As deregulation spread globally through trade agreements and *shock doctrine* tactics as described by Klein below, this obsession with growth, the flaws of neoclassical theory and neoliberal agendas, and the accompanying exploitation baked in the economic structure became America's primary export in the form of globalization in the 90's. To position this research in the context of economically related movements, the next section describes the rise of globalization as a neoliberal agenda, and outlines the movements that rose up in response.

## 2.3 Globalization and Responsive Movements

### ***Globalization as a Neoliberal Agenda***

Author Naomi Klein best chronicles the global application of neoclassical economics as a neoliberal agenda in her book *The Shock Doctrine: The Rise of Disaster Capitalism* (2008). Klein describes disaster capitalism as "the rapid-fire corporate reengineering of societies still reeling from shock." She traces the roots of this exploitive approach to globalization to economic theory developed at the University of Chicago by Milton Friedman, in which the

unfettered free market reigns supreme in allocating resources and helping a region rebuild itself after disaster. While this economic ideology is most often associated with Margaret Thatcher and Ronald Reagan, Klein shows how Friedman influenced both. Klein's book repeatedly demonstrates that globalization is the result of neoliberal thinking, based on the neoclassical economics discussed above.

The literature review now moves to an exploration of the political significance of the neoliberal agenda applied to globalization, and the movements that rose up in response. Manfred Steger (as we well know), served as an academic consultant on globalization for the US State Department and is on the editorial boards of a number of journals including *Globalizations*, *Global Change*, and the *Journal of Critical Globalization Studies* ("Manfred Steger | Political Science | UH Manoa" 2016). His award winning book *Globalism-The Great Ideological Struggle of the Twenty-First Century 3<sup>rd</sup> ed* clearly emphasizes the importance of the political significance of globalization stating that "economic perspectives on globalization can hardly be discussed apart from an analysis of political processes and institutions" (Steger 2009, 33). Steger describes "the analytical distinction between *globalization*-a set of social processes of increasing interdependence defined and described by various commentators in different, often contradictory ways and *globalisms*-political ideologies like market globalism and justice globalism...that endow globalization with their preferred norms, values and meaning" (Steger 2009, 17). What is of greatest interest to this research is Steger's exploration of the critiques of these norms, values, and meanings, such as the justice-globalist critique, which he summarizes as follows:

deliberation and global integration of markets leads to greater social inequalities, environmental destruction, the escalation of global conflicts and violence, the weakening of participatory forms of democracy, the proliferation of self-interest and consumerism, and the further marginalization of the powerless around the world (Steger 2009, 128)."

It is in response to the economic impacts described in the previous section, and the social and political impacts introduced here, that movements rose up in response.

### ***Movement Theory: Alter-globalization Movements***

Belgian social scientist Geoffrey Pleyers' book *Alter-Globalization-Becoming Actors in the Global Age* describes how the 90's saw pockets of individuals and groups join forces to resist advancements of the neoliberal agenda in various parts of the world (Pleyers 2010). The efforts of the decade culminated in the December 1, 1999 *Battle of Seattle*, when 50,000 protesters blocked access to the conference center stalling World Trade Organization (WTO) negotiations, catapulting the transnational activism movement into world news and inspiring international support in the form of numerous counter – summits and protests following the same model (Pleyers 2010, 5). Sociologist Jackie Smith, summarizes this global struggle as one between two transnational networks with opposing visions. There is the neoliberal network rich in material resources driven by the needs of increasingly globalized capitalism. The opposing group is a democratic transnational network of citizens and workers powered by its ability to challenge the legitimacy of dominant institutions and corporate actors with the arguments that expanding global markets generate a host of ecological problems, exasperate social inequalities, and threaten traditional cultures (J. Smith 2008, 4).

Various frameworks from the literature arose for exploring the political significance of the growing wave of transnational activism that was launched in Seattle. This section describes some key approaches ranging from global to individual levels of impact, which may provide useful frameworks for exploring the political significance of the B Corp movement in Chapter 4 of this project.

The first approach called *Political Process* is described by scholars such as political scientist Sidney Tarrow and social scientist Kevin McDonald. They view global movements as a repeated pattern where social movements not only focus on attempting to influence national political processes and organizations; they increasingly move to focus on international organizations (McDonald 2006, 19; Tarrow 2005). Tarrow states that one of the key ways that transnational activism has expanded has been its combined focus on the international institutions that enshrine neoliberalism including the International Monetary Fund, the World Bank, and the World Trade Organization as targets of resistance (Tarrow 2005, 6). McDonald states that these international organizations constitute a new international “political opportunity structure” (McDonald 2006, 19). This approach essentially views global influence on global institutions as a larger-scale replication of national influence on national institutions.

Other scholars such as Italian political scientist Raffaele Marchetti contest that simply extending the dynamics of national social movements to a context of transnational action is insufficient to capture the fundamental novelty of the transnational mobilizations of the last two decades (Della Porta and Marchetti 2007, 30). Tarrow’s *Scale Shift* approach emphasizes that as contentions move from the local to the global or the global to the local levels, there is not simply the reproduction, at a different level, of the claims, targets, and constituencies, but rather that new alliances, targets, and changes in the foci of claims and perhaps even the production of new identities, are formed (Tarrow 2005, 121).

Other approaches emphasize that regardless of where the contention began the exploration must stay centered on the fact that the movements are uniquely *global* in relation to the issues they address, the political centers of power they challenge, and the way they are constituted and operated (Della Porta and Marchetti 2007, 30). This approach, which I’ll call

*Global Polity*, explores the significance of movements through the lens of the global sphere of politics, which, unlike the national sphere, is devoid of a universally coercive power of law and democratic processes of participation, deliberation, and voting (Della Porta and Marchetti 2007, 30).

Still yet another approach exists where political processes are not as clearly structured, resulting in social movements that are not focused on influencing the political system. Rather, they mobilize to address issues of social class and class structure such as in the European labor movement (McDonald 2006, 24). While this lens, which is characterized by the *Labor Movement*, views movements as apolitical, I argue that they still have political significance. Political ideologies are comprehensive belief systems comprised of patterned ideas and values believed to be 'true' by significant social groups (Manfred Steger, Goodman, and Wilson 2013, 4). So as social consciousness evolves, so does political ideology, and groups that did not intend to influence politics may actually create meaning that influences political power.

Finally, Pleyers summarizes that for the most part, alter-globalization alternatives are elaborated through two paths: economic and legal measures at the level of global institutions (as in the Political Process, Scale Shift and Global Polity approaches) and by personal transformation through daily actions that model local change in everyday life (Pleyers 2010, 227). His research on social movements in response to globalization introduces important attributes including the notion of *spaces of experience*, which are places to safely prepare action while rethinking and experimenting with alternatives including new relationships, practices, and norms (Pleyers 2010, 40, 83, 92). Many of these spaces were created to provide zones for being, experimenting and planning that were protected from incursions by state forces (Pleyers 2010, 266). Other spaces were constructed to exist outside of, and in opposition to, institutions,

which were considered proxies of participants' capitalist and neoliberal adversaries (Pleyers 2010, 222). Sometimes these spaces of experience were still used to create external action strategies, but sometimes they were created to provide utopic spaces outside of society and politics and free of power relations (Pleyers 2010, 105). Pleyers points out the obvious blind spot of such utopic spaces, emphasizing that creating small pockets of alternative groups does not necessarily lead to larger-scale transformation (Pleyers 2010, 105). In all cases, spaces of experience affect the lives of the people functioning within them immediately creating some level of personal transformation (Pleyers 2010, 219). This philosophy advocates that it is in transforming ourselves, in changing our relationships and our concrete spaces for living, that we can change the world (Pleyers 2010, 99), depending on the extent that people translate their personal transformation into larger action (Pleyers 2010, 103). This *Personal Transformation* approach to exploring political impact is the most personal level of political significance and necessarily must be included in the discussion.

These four frameworks extracted from transnational activism launched in the late 90's provide useful insight into the various dimensions of meaning and political significance of transnational movements. The next section builds on these insights by summarizing research on very current transnational movements that heavily rely on various social media technologies that have permeated society in the last handful of years including twitter, instagram, and of course, facebook.

### ***Movement Theory: A New Framework for Assessing Social Movements***

Modern movements aiming for positive ideological change vary in their focus on political, economic, social, and environmental focus, but are similar in their use of social media technology to activate participants in a movement. Researcher and author Derrick



Feldmann has worked with companies and organizations such as AT&T, Facebook, BMW, PBS and the Case Foundation to understand how the next generation of donors, activists and employees are redefining work and social movements for causes (“Social Movements for Good” 2016). He is the founder of MCON, a national conference on Millennials and social good, which draws speakers from for- and non-profit organizations across the world. MCON explores the question of whether and how organizations are taking advantage of today’s heightened interest in causes to better serve their constituents (“MCON 2016 – About” 2016). The key premise in his 2016 book *Social Movements for Good: How Companies and Causes Create Viral Change* is that modern social movements operate within a new paradigm, which changes how movements are created, why people get on board, and what strategies and networks create success (Feldmann 2016). Feldmann’s research includes interviews with key leaders behind current national and global social movements, as well as the individuals who responded and engaged in these movements, with the intent to uncover the approaches that made them fail and succeed. An interview webinar on January 29, 2016 with Feldmann shared the key findings of his soon to be released book. I have organized them in this section into another potentially useful framework for assessing B Corp’s current and future potential as an impactful movement.

The Merriam-Webster dictionary defines movement as “a series of organized activities working toward an objective.” In his interview, Feldmann defines a social movement as one that supports the interests of the people who’s lives are effected by the issue, and who are unable to overcome this issue without the additional support of dedicated community activists and donors. His key emphasis is on the collective will of the people over any one agency or organization. While Feldmann doesn’t describe the results of his research as a ‘framework’ for social movements, I synthesized a useful framework in the context of this

project using insights shared through his book, online discussions, and webinars. I created new names for the stages of a successful modern social movement based on the key drivers and outcomes. For each phase I capture the key description, what causes failures, and what catalysts are needed for moving to the next stage and for sustained impact.

#### Four Stage of a Modern Social Movement

1. Get people to feel a part of something – A Viral Effect
  - a. Phase characteristics – Get people to feel a part of something. The movement is at this stage when participants reference ‘involvement’ or ‘awareness’ statements over ‘ownership’ statements. Empathy is often used to pull people into awareness. The issue is still externalized for the participant.
  - b. Catalysts-Usually an organization is required to create an infrastructure that gets people to take part. This can include creating a symbol, hash tag, initial events, or an experience. As described above, many scholars, including Steger and Pleyers, also support the importance of symbols for participant meaning.
  - c. Signs of Failure-Feldmann characterizes this phase as ‘social conversation’ rather than ‘social action.’ *Hash tag movements* raise awareness, but can also lead to ‘slacktivism,’ where the energy of participants is engaged, but doesn’t propel meaningful action. ‘Slacktivism’ could be thought of as a form of ‘false work’. In engineering the equation for work is  $W=F \times d$ , meaning the amount of work completed is actually the force (or applied energy) multiplied by the distance travelled (another definition of movement). So from this perspective, if there is zero distance travelled (action), there is no real work. Feldmann’s research shows that this stage cannot depend on technology alone, it must have

on the ground organizing. This also echoes Pleyers' emphasis on *spaces of experience* described above.

## 2. Create Belonging – Collective Action

- a. Phase characteristics – People start doing things together, and their action is the result of belonging. There is little ownership, meaning there is awareness around the issue, but not necessarily internalized caring about the issue. Action can be spurred by empathy, but this action is impulsive as it feeds into a moment of empathy rather than deeply held beliefs.
- b. Catalysts- Activities can be inspired by the passion of the leader and cues from the organization. For example, the ALS Association ice bucket challenge was not started by the organization, it was started by passionate people who cared about ALS (Amyotrophic lateral sclerosis) and created something that went viral AND had people participate and feel like they belonged. The campaign challenged participants to dump a bucket of ice water over themselves and then send a video of the experience via facebook to two friends challenging them to do the same to raise awareness around ALS. This raised a lot of 'belongers' engaged in collective action and donations to the ALS Association rose from \$20,000 one day to \$11 million the next day. All of this came from those who participated to belong, but not necessarily because they believed.
- c. Signs of Failure - If the organization focused energy around the organization or the leader rather than the people themselves, it will be difficult to get them to take action together. Feldmann emphasizes that it is critical to move people out of the state of awareness into action.

### 3. Create Belief and Ownership - A Movement Rises Up

- a. Phase characteristics – Collective power comes from shared ownership. This phase must move participants from acting from a sense of belonging, to acting from a sense of ownership and believing. The issue in this stage is internalized for the participant. The movement is at this stage if participants speak of their involvement using “ownership” or “I believe” statements. This is the most difficult step. Feldmann states that his research shows that “It’s easy to be a ‘belonger’, difficult to be an ‘owner’.” So rather than belonging to the movement, partisans start to become the movement. Individuals must take the words of the organization, making it their own, share it in their own words, and organize for themselves, not the organization.
- b. Catalysts- This is the moment where the organization says to those who belong, it’s time to take our resources, our brand and logo and self-organize together. The organization or leader(s) must move to the background, they must let go. The message from the organization needs to elevate the power of the individual above everything else. Example interview statements indicating that organizers are in this stage include “without your involvement, the movement wouldn’t continue” and “we, like you, believe in this issue.” These statements from the organizers foster ownership in the participants.
- c. Signs of Failure- Feldmann shares that if cues from the organization are required for continued action, the movement is in trouble. He states that if an organization tries to stay in the power position and won’t let ownership happen, they can quickly lose participants. Also, the organizers might have been motivated by

trying to raise a lot of money in the short term by generating awareness and belonging, but without a plan to integrate beliefs and sustained action. This was the case in the ALS ice bucket challenge. Once the bucket was dumped and the video was forwarded, participant action ceased.

#### 4. Support Consistent Action - Sustaining the Movement

- a. Phase characteristics – There must be consistent and continual action going forward to sustain the movement beyond empathy and one-off actions.

Participants must act from an ingrained belief system. At this stage the movement's participants would put up a fight for you and would miss you if you stopped working on the issue. Feldmann emphasizes that if you've made it this far, the movement has a good chance of sustained continued growth.

Ultimately, the collective power of the group needs to move from being a part, then belonging, then believing, then owning. The organization needs to move participants through these stages, and then step away and let go.

Other salient points from this research involve qualities of the leaders interviewed. When Feldmann was asked what stood out to him about these leaders, he responded "their humbleness." When leaders were asked "what do you want most people to remember you by?" they responded "I just want to be known for helping this issue, that I was the best person I could be for my family and friends for this issue." He also noted that they did not focus on their success no matter how substantial, but rather felt like there was much more to be done. They were truly driven by passion and by making an impact on the issues they cared about. And finally he highlighted that most leaders started out with nothing. They didn't have big grants or

resources. They cared about an issue, had an idea and people came together and said ‘this isn’t right, we need to do something.’ This made Feldmann hopeful for others to take action as well, especially since the insights of his research provide tools for strategies.

Feldmann also discussed the importance of avoiding shaming strategies, especially for international campaigns. An international campaign showing *your* drinking water verses drinking water *from a developing county* effectively scales shame. He suggests scaling the opportunity to do something, to believe in something, to have hope. And rather than share the specific action plan to address the challenge, such as promoting your water program over someone else’s program, share the collective opportunity to support clean water globally. His research suggests that by presenting an opportunity for people to act on their beliefs and present to others who believe just like you that there is an opportunity to do something, you have a better chance of a successful movement.

A final highly relevant point from his research summarizes that Millennials are skeptical about large organizations. They believe that institutions over time start with a group of people that care, then those people move to formalize things into an organization. They cite that as institutions grow, they eventually rise against the collective power of the people that care about it. If an institution already exists, young people may have a belief system that resonates with it, but they don’t like when the institution tries to attach them to the institutions themselves, rather than giving them power and ownership to facilitate their own self-organization.

The alter-globalization movement and current social movements provide multiple frameworks for assessing movements for systemic change. The literature review now turns to a discussion about the goals of these movements. What change is trying to be achieved? When “movements for good” are discussed, what constitutes “good”? The next section of this literature review introduces dimensions of the Blue Economy that rose from the literature. It

proposes themes brought forward by multiple thought leaders and focuses on the authors most known for each theme. Organized into three overarching goals and seven guiding principles, the next section thoroughly introduces a vision of a Blue Economy formed from consensus found in the literature.

## 2.4 Blue Economy Thinking

When approaching restructuring theory to manage economic policy, Stiglitz simply states, “I believe economic models are not a good starting point. Such Ptolemaic exercises in economics will be no more successful than they were in astronomy in dealing with the facts of the Copernican revolution (Stiglitz 2015, 26).” This section summarizes perspectives in the literature from the key thinkers in the field of the triple-bottom-line thinking to synthesize the current conversation on perspectives on the Blue Economy that are out of the box when compared to status quo economic thinking. I reference many thought leaders to summarize the literature as falling into three overarching goals for the Blue Economy that have considerable consensus, with seven key theme areas emerging as core concepts for achieving the goals. Components will be reflective of the economic theory introduced earlier, and other components will represent new ideas that are beyond being simply counter or opposite to what has come before. The emergence of these three goals and seven core concepts in the literature creates a potential hypothesis of a framework for guiding the creation of the Blue Economy. This framework will be tested against thoughts introduced by interviewees from B Corp companies to see if consensus exists between B Corp leaders and the literature. Discrepancies will reveal new dimensions to the Blue Economy missing in the literature, or will show how B Corp leaders operate in a narrower or different definition of a transformative economy.

## ***Overarching Goals for the Blue Economy***

### Qualitative over Quantitative Growth

A paramount theme emerging from the literature on the Blue Economy is the crucial need to retool economic thought that values quantitative growth above all else (UNEP/ILO/IOE/ITUC 2008, 83; W. Berry 2010, 26; D. Korten 2010, 17; Bargh 2007, 11; Jackson 2009, 17; Schor 2010, 95; Dietz and O'Neill 2013, 15; McKibben 2007, 37). As described earlier, Adam Smith believed that the goal of the economy is to create the wealth of a nation. The metric Gross Domestic Product (GDP) has long been used as the metric for measuring the wealth of a nation. Yet how did such a limiting notion of growth in GDP come to represent the well-being of economic society? The next section will explore the roots of GDP and how it was co-opted from its original use as a metric to *the* metric.

The precursor to GDP was Gross National Product (GNP), and while it was known, it was not rigorously calculated or used by government agencies prior to WWI (The Concise Encyclopedia of Economics 2016). In 1937 economist Simon Kuznets at the National Bureau of Economic Research introduced a detailed analysis of the calculation and use of GNP in a report to the U.S. Congress. He defined GNP as “the net value of commodities and services produced by the nation’s economic system” (Simon Kuznets 1937, 3). In his own critique of GNP in Section 4 of the same report titled *Limitations of the Estimates*, Kuznets emphasized that GNP “does not measure all the goods and services produced in the nation, since it excludes, by design...our stock of utilities made within the family system and by numerous activities of mankind engaged in the ordinary processes of life (Simon Kuznets 1937, 7).” He further emphasized that GNP should not be used as a stand-alone metric in determining the wealth of a nation, stating:



Strictly defined, national product measures reflect only such changes in wealth as result from the disposition of the current flow of goods and services produced. Other important changes in the capital and wealth structure of the nation's economic system must be taken into account...in order to obtain a complete picture of the basic changes in the economic scene (Simon Kuznets 1937, 7).

The remainder of Kuznets' report follows GNP through World War I and the Great Depression, correlates it with population changes, discusses distribution by various industry groups, but does not advocate for its use as a single metric for measuring the wealth of a nation.

In 1944 the Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, brought together delegates from 44 nations to agree upon new rules for the post-WWII international monetary system (U.S. Department of State Archive 2016). Most notably, the conference created the World Bank and the International Monetary Fund and both came into existence on December 27, 1945. In the same year, Kuznets produced a paper with neoliberalist Milton Friedman, also through the National Bureau of Economic Research, using an "approach that treats professional activity as taking place in an economy best described as a free enterprise system in which the production of goods and distribution of incomes are regulated primarily by the impersonal mechanism of the market," showing the influence of neoliberal ideology on calculations of economic measurement at that time (Kuznets and Friedman 1945).

In 1947 the United Nations began its System of National Accounts with a report that almost entirely discussed GNP and how to calculate it (Stone 1947). The UN requested GNP statistics from the world's nations and the global focus on growth began. U.S. GNP grew 24% between 1947 and 1960 (McKibben 2007, 8). President Kennedy insisted he could accelerate GNP and did, growing it 5% each year between 1961 and 1965 (McKibben 2007, 8). Then GDP was introduced in the 1960's and eclipsed GNP in the 1990's when President Bush switched to

GDP as the U.S.'s prime indicator of national growth ("Gross Domestic Product as a Measure of U.S. Production" 1991). GDP differs from GNP since it includes goods and services produced by labor and property *only* located in the United States ("Gross Domestic Product as a Measure of U.S. Production" 1991). It was preferred since it aligned better with national figures such as employment and assets and allowed the US to be more easily compared to other countries, with the Bureau of Economic Analysis stating that "virtually all other countries have already adopted GDP as their primary measure of production" ("Gross Domestic Product as a Measure of U.S. Production" 1991). The growth of the use of GDP grew alongside a global obsession in growth itself as stated by American political economist Benjamin Friedman who summarized the reigning ideology that "a growing economy gets us more stuff-better food, bigger houses, more travel...it makes us better people- more tolerant, more open, more confident" (McKibben 2007, 10).

A report on alternative metrics for the economy begins with the following headline that was similar to many found in leading newspapers across the US on October 28, 2005. I include the author's commentary on the headline as it best describes the limitations of valuing growth in GDP as a prime national indicator of wellbeing:

GDP muscles through - Economy brushes off storms and expands by 3.8 percent in 3Q, beating estimates.

The U.S. economy shook off headwinds from hurricanes Katrina and Rita to grow at a faster-than-expected 3.8 percent annual rate in the third quarter, a Commerce Department report showed Friday. (Reuters, 2005)."

Perhaps no headline in recent history does a better job of illustrating why our nation's most trusted measure of economic performance is so woefully out of sync with people's everyday experiences. In one fell swoop, these headlines dismissed the inequitable and catastrophic toll associated with 1,836 preventable deaths, over 850,000 housing units damaged, destroyed, or left uninhabitable, disruption of 600,000 jobs, permanent inundation of 118 square miles of marshland, destruction of 1.3 million acres of forest, and contamination caused by millions of gallons of floodwaters tainted by sewage, oil,

heavy metals, pesticides, and other toxins as irrelevant to the U.S. economy (Talberth, Cobb, and Slattery 2007, 1).

In 1996, economist Hazel Henderson said, “Statistical indicators are the structural DNA codes of nations. They reflect a society’s values and goals and become the key drivers of economic and technological choices” (Braun 2009, 1). In 2001 Joseph Stiglitz said, “GDP has increasingly become used as a measure of societal well-being, and changes in the structure of the economy and our society have made it an increasingly poor one. It is time for our statistics system to put more emphasis on measuring the well-being of the population than on economic production (Braun 2009, 2). A sustainable economy needs a different way of measuring human activity and of providing signals to market players including companies, investors, producers, and consumers, as well as policy makers. The 1972 book *The Limits to Growth*, commissioned by the Club of Rome, used computer simulation to model, amongst other things, exponential economic growth, introducing the concrete potential outcome of a collapsed society, as well as inviting solutions other than continued growth (Meadows et al. 1972). Environmentalist and author Bill McKibben summarizes three fundamental challenges to the fixation on growth:

1. growth as we now create it is producing more inequality than prosperity, more insecurity than progress
2. we do not have the energy needed to keep going at this growth rate and maybe can't handle the pollution energy use is creating
3. growth is no longer making us happy (McKibben 2007, 11)

The Blue Economy needs a different theory, abandoning the outdated assumption that quantitative growth is unconditionally desirable. While many advocate for no growth, conservation, or a steady state economy (Dietz and O'Neill 2013; Jackson 2009), the literature

that promotes the notion of qualitative growth over quantitative growth is much more relevant to this research where the growth of the companies that are focused on beneficial outcomes for society and the environment is welcomed growth (UNEP/ILO/IOE/ITUC 2008, 83; D. Korten 2010, 59; Schor 2010, 96; Stiglitz 2016). Qualitative growth implies the engagement of values and growth in economic activity that enacts or is imbued with specific values. There are many perspectives, processes and worldviews that can inform such a value-based economy to counter the current status quo western worldview. The values contained within the notion of qualitative growth are described in the following two goals, as well as the seven guiding principles outlined below.

## 2. Bake Values into Profit: Benefit the Triple Bottom Line of People, Planet and Profit

Values are beliefs and judgments about what objectives, and what modes of behavior for achieving them, are desirable (Higgins 2006, 439, 440). The concept of qualitative growth strives to evolve the single value of driving and creating profits in the current economy to an economy based instead on the growth of multi-dimensional values such as equality, inclusivity, environmental stewardship/kinship, and community benefit (UNEP/ILO/IOE/ITUC 2008, 83; D. Korten 2010, 59; Schor 2010, 96; Stiglitz 2016). As described in Section 2.4, this expansion in values driving the means and ends of the economic engine is often summarized as the triple-bottom-line where people, planet, and profit simultaneously thrive (Slaper and Hall 2011; Elkington 1994; Hindle 2009; Hawken, Lovins, and Lovins 1999).

The triple-bottom-line was first introduced by environmentalist and consultant John Elkington in the *California Business Review* in 1994 (Slaper and Hall 2011; Elkington 1994; Hindle 2009). It was an effort to “look at the ways in which companies can turn the environment game into one in which they, their customers, and the environment are all winners” (Elkington

1994). In their seminal work, *Natural Capitalism: Creating the Next Industrial Revolution*, Paul Hawken, Amory Lovins and L. Hunter Lovins introduced the notion of using the triple-bottom-line concept to describe *natural capital*, as the ability for a business to meet its customers' needs, increase profits, and solve environmental problems simultaneously (Hawken, Lovins, and Lovins 1999). Since *Natural Capitalism*, many authors have expanded on case studies and applications of the triple-bottom-line. For example, in her book *Plentitude-the New Economics of True Wealth*, Economist Juliet Schor sums up these efforts, suggesting "it's time to leapfrog over the unpalatable trade-offs currently on offer and embrace a new economy...where true wealth can be attained by mobilizing and transforming the economies of time, creativity, community, and consumption" (Schor 2010, 99). She describes strategies of efficiency that create more time for people, less consumption of resources, and decreased costs as an example of triple-bottom-line benefits (Schor 2010, 147).

My favorite example of such a triple-bottom-line business leader is Ray Anderson of Interface Flooring. Named TIME Magazine's Greenest CEO of 2007, Anderson is a case study of how one leader's 'spear in the chest' moment changed an entire industry. It occurred in 1994 when he read Paul Hawken's follow up book to *Natural Capitalism*, *The Ecology of Commerce* (Hawken 1993). Expecting no more than token fodder to address some environmental concerns from his employees, Anderson had the life changing realization that he was running one of the most wasteful, polluting, fossil fuel dependent companies in the world. In his book *Midcourse Correction*, Anderson describes how he created a clear top-level vision to steer his one billion dollar a year company toward zero pollution and zero net energy use by 2020. Anderson also strove to benefit "people" in the triple bottom line by ensuring his employees were fulfilled in their roles and responsibilities. He was ahead of his time in his attempts to engage his employees in decision-making, capacity building, and education. As of 2010,

Interface Flooring had cut dependence on fossil fuels by 45%, and water and landfill use by as much as 80%, all while increasing revenues by 6 million dollars annually. Anderson is a role model for all corporate and business leaders demonstrating that the environment, people and the planet are not tradeoffs, but can all benefit with focus, innovation and ingenuity.

A retiree after thirty-four years at IBM, Bob Willard shows how Anderson's success is not a chance occurrence. In his book *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line*, he shows how to help executives tune into WIIFW (What's in it for the World?) rather than WIIFM (What's in it for Me?) (Willard 2002). He lists the many business benefits of striving for change using the triple bottom line, such as addressing the high cost of turnover and winning and retaining the best talent. Willard outlines case studies that show employee retention and productivity increase when companies use the triple bottom line. Other benefits include increased revenues due to increased employee productivity and increased market share. He shares studies such as a Mercer/Angus Reid poll that found that companies leading the way to implementing changes with the triple bottom line gained disproportionate advantage since a strong environmental rating was a consistent predictor of profitability (Willard, 2002, p. 139). He offers a step-by-step approach to building business case scenarios that benefit people and the planet by leveraging these business advantages to increase profits.

The triple-bottom-line has become synonymous with sustainability in the business world. While sustainability is a common shared goal, it provides little in terms of a decision-making protocol for business leaders. Expanding sustainability into three pillars of people, planet and profit is a highly useful and effective second over-arching goal for the Blue Economy.

### **3. Emulate and Integrate with Ecology**

A final overarching theme in Blue Economy literature recognizes the economy as a human construct embedded in and dependent on society, which in turn is embedded in and dependent on ecology. In his book *What Matters? Economics for a Renewed Commonwealth*, farmer and poet Wendel Berry describes how the human economy is nested within the larger economy of the natural environment, so to create an authentic, sustainable economy it must operate such that nature comes first (W. Berry 2010). This ultimate dependence of the economy on ecology requires that the Blue Economy evolve its structure and functionality using two guiding axioms: 1) it must function within ecological limits (Meadows et al. 1972; McKibben 2007; W. Berry 2010; Lovins and Cohen 2011; Klein 2014) and 2) it must emulate, as well as integrate with, ecological processes for maximum efficiency and prosperity (W. Berry 2010; Gunter Pauli 2010; Hawken 1993; Lovins and Cohen 2011; Sahtouris 1997, Benyus 1997).

As described earlier, Meadows' 1972 book *The Limits to Growth*, clearly draws the link between exponential economic growth of the economy as we know it and environmental collapse (Meadows et al. 1972). While Meadows introduced the notion that unfettered economic growth that depends on the environment for raw materials will inevitably lead to ecological decline, authors such as Bill McKibben, Naomi Klein, Hunter Lovins and Boyd Cohen also hone in on the greenhouse gases created by the Brown Economy that are causing climate change as the core challenge of an economy that does not function within ecological limits (McKibben 2007, 228; Lovins and Cohen 2011, 176; Klein 2014). Naomi Klein's book *This Changes Everything-Climate vs. Capitalism* devotes the entire third section to the notion of *Blockadia*, describing how indigenous and other communities around the world are standing up to avoid extractivism and the social exploitation that accompanies the irresponsible taking of

natural resources (Klein 2014). A future Blue Economy cannot excessively exploit nature to make and transport things, as well as to absorb waste...it must function within ecological limits.

The second axiom in this section proposes that the economy can best operate within ecological limits while benefitting people and profits by functioning similar to, and integrated with, ecological processes. In *Ecology of Commerce*, Hawken states that we “must recognize that ecological principles apply absolutely to human survival, and that if we are to long endure as a world culture, or as a group of local cultures, we will have to incorporate ecological thinking into every aspect of our mores, patterns of living, and most particularly, our economic institutions (Hawken 1993, 202).” Wendell Berry poetically describes our entwined economic, natural and cultural systems, stating that our goal should be to maintain their integrated health by upholding their regeneration cycles, or otherwise stated, their opportunity to renew (W. Berry 2010). Gunter Pauli who coined the term *The Blue Economy* devotes his book of the same name to describing human processes based on ecological processes such as efficient use of sunlight as energy, the sharing of waste as useful inputs for other processes, and the interconnection of all processes in an ecosystem that operate in cascades that minimize energy use and waste production (Gunter Pauli 2010). His book summarizes 100 technologies inspired by nature that would create more sustainable economies by working together like natural ecosystems.

The field of biomimicry becomes relevant since it is devoted to the emulation of nature in human innovations. Biomimicry is described as the conscious emulation of life’s genius to solve our own problems and when applied to the Blue Economy, it means the economic system would be more like natural systems (Hawken 1993, 3; Benyus 1997, 2; Sahtouris 1997, 1; D. Korten



2010, 148). In his seminal work on the possible ecological design of the economy, Paul Hawken writes:

The Ecology of Commerce...speaks to the gap between life on earth and how we conduct our commercial lives. While much of our current environmental policy seeks a balance between the needs of business and the needs of the environment, common sense says there is only one critical balance and one set of needs: the dynamic, ever-changing interplay of the forces of life. The restorative economy envisioned and described in this book respects this fact. It unites ecology and commerce into one sustainable act of production and distribution that mimics and enhances natural processes. It proposes a newborn literacy of enterprise that acknowledges that we are all here together, at once, at the service of and at the mercy of nature, each other, and our daily acts (Hawken 1993, 4).

Forest ecologist Janine Benyus' seminal work on biomimicry operationalizes Hawken's advocacy that ecology and the economy can be one in the same. Her approach begins with the fact that since living things have done everything we want to do without guzzling fossil fuel, polluting the planet, creating global warming or mortgaging their future, nature serves as a highly evolved and efficient model for the Blue Economy through the use of biomimicry (Benyus 1997, 2). Benyus writes:

This grows from the wisdom of the species that have lived on Earth far longer than humans, in the meshwork of nature itself. To emulate nature we would manufacture the way animals and plants do, using sun and simple compounds to produce totally biodegradable fibers, ceramics, plastics and chemicals. Our farms, modeled on prairies, would be self-fertilizing and pest-resistant, to find new drugs or crops we would consult animals and insects that have used plants for millions of years to keep themselves healthy and nourished (Benyus 1997, 3).

This perspective advocates that the future economy will replace the Industrial Revolution that was based on what we can *extract from* nature, with the Biomimicry Revolution based on innovations *learned from* nature (Benyus 1997, 2). Integrating the economy within the natural functioning of ecological resources in a way that does not deplete but rather allows the propagation of resources and community empowerment is also referred to as the Restorative

Economy, Regenerative Economy or Circular Economy. In all cases the environment and the economy work together for the wealth of both.

### ***Seven Guiding Principles for the Blue Economy***

To accomplish these three overarching goals, the literature can be organized into seven dimensions or guiding principles that if followed, would combine to create the Blue Economy. Combined they create a lens for decision-making and creating and critiquing programs, policies, business models, processes and day-to-day choices. If they are achieved systematically, the fossil fuel intensive economy as we know it could be gradually replaced with a collaborative, localized, self-reliant, interconnected, renewable economy.

#### **1. Collaboration over Competition**

Evolutionary biologist, Dr. Elisabet Sahtouris, believes that Western culture and traditional economics has trained us to think and act as though we are separate individuals, often in competition with each other for scarce resources of one sort or another, primarily money, which has become the perceived means to all we want and need in life (Sahtouris 1997, 3; D. Korten 2010, 147). As described earlier in this Chapter, competition driven by the motive of profits and managed by substitution and perfectly flexible prices is the foundational principle for creating market equilibrium as the market price quickly moved to correct any imbalance between supply and demand (Smith, 1776, 676, 677). The opposite of 'competition' in classical economic thinking is 'monopoly,' where a market player can have unfair advantage in influencing supply, demand, or price in the market. But the literature proposes another solution to the need for competition in a fair market: collaboration.

From my perspective, the collaborative economy accomplishes Adam's Smith's philosophical goal of a fair market where everyone has the opportunity to thrive on merit. Rather than 'beat out the competition' with a 'competitive edge,' collaborative businesses identify the true needs in their industry and fill in niches that are empty or underserved. Businesses collaborate not only to drive profit, but because they share the same values (Sommerrock 2010, 175). They then share referrals, tag-team projects, provide 3<sup>rd</sup> party credibility, grow the industry, share lessons and knowledge, create policy etc. Forging such unique alliances between what would otherwise be competitors has been called coopetition, and it's becoming a cornerstone of many business models since such alliances reduce risk and leverage resources toward shared economic, social and environmental goals (Osterwalder and Pigneur 2010, 38).

This functionality of the market returns humanness and the importance of relationships to the market mechanism. Ultimately, collaborative companies work together by occupying different niches and leveraging each other's strengths and supporting individual and overall ecosystem health. This functioning fulfills Adam Smith's goal of a market that optimizes resources and efficiently allocates them for society. Rather than Smith's mechanistic *invisible hand* accomplished this allocation, *collaborative hands* build abundance and distribute it fairly. I argue that a collaborative market actually *better* accomplishes Adam Smith's goal of optimized and efficient resource allocation through the success of market players. Success is now accomplished through relationships and interconnection with others rather than competition. Human ingenuity working together, rather than the cold mechanistic functioning of market competition, has a much better chance at optimizing the world's limited resources to serve the true needs of people. And while a mechanical market can blindly allow advertising, subsidies

and externalities to distort its functioning, a market imbued with human values and relationships may better recognize and resist such tactics.

Collaboration is the first guiding principle for companies to thrive by traditional metrics (grow profits), accomplish a triple-bottom-line (join the Blue Economy), and ultimately evolve the economy itself. The next two principles for the Blue Economy expand on two ideas introduced in this section: relationships within the economic machine and market distortions in the form of externalities and subsidies.

## 2. Relationships over Commodities

A commodity is something that can be bought, sold or traded. By contrast, some of the most important forms of wealth, including healthy happy children, loving families and a healthy natural environment, are not commodities; they are beyond price and are unavailable for market purchase (D. Korten 2010, 18). So how do we support environmental and social solutions that have no value as commodities in our current market? Many advocate that we move to a completely different kind of market where relationships have more value than commodities (D. Korten 2010, 18; Hyde 1979, xi; Vaughan 2009, 92).

One such market is called the Gift Economy and it differs in its mechanisms of moving goods and services as well as intentions and expectations of participants. The study of gift giving has long been the realm of anthropology as gift giving predates money economies. In his book *The Gift Economy*, David Cheal defines gift giving as a mode of exchange where there is no expectation of immediate or future reward (Cheal 1988). In their book *Money and the Morality of Exchange*, anthropologists Jonathan Parry and Maurice Bloch describe how the gift economy has been positioned in opposition to the money or barter economy dating back to Aristotle (Parry and Bloch 1989, 2). They summarize that economic relationships are viewed as

inherently impersonal, transitory, amoral and calculating, while the ideology of the gift has been constructed in antithesis to market exchange and characterized as altruistic, non-exploitive, innocent and even transparent (Parry and Bloch 1989, 8). This perspective is echoed by feminist theorist Genevieve Vaughan who describes the Gift Economy as focusing on supplying each other's physiological and psychological needs, creating relationships and bonds and experiencing satisfaction, which differs from the current exchange economy that is dehumanized and based on *getting over nurturing* (Vaughan 2009, 92). She further describes the *Market Economy*, also called the *Exchange Market*, as transactions deprived of emotion and human connection, which in turn makes the consumption less satisfying (Vaughan 2009, 94). This poem beautifully captures this spirit of the Gift Economy:

Even after all this time, the sun never says to the Earth, "You owe Me." Look what happens with a love like that, it lights the whole sky.

-Hafiz

Yet Parry and Bloch describe cases where economies are embedded in society and subject to its moral laws so that money becomes morally unproblematic and also cite examples where gift exchange can represent a dire moral peril while money exchange is morally neutral (Parry and Bloch 1989, 10). They emphasize that it is not money or gifts that are beneficial or detrimental, it is the societal rules around them (Parry and Bloch 1989, 8). In his book *The Gift: Imagination and the Erotic Life of Property*, cultural critic Lewis Hyde explores the history of gift giving and ultimately unearths the wide range of cultural norms accompanying the giving of gifts, which in turn informs the values involved in exchange (Hyde 1979). Recognizing this, Vaughan advocates that gifting should not have rules of reciprocity, since this requires quantification and measurement that returns us to the present economic system of exchange (Vaughan 2009, 94). Others cite the Native American notion of reciprocity whereby an equivalent return is expected

when a gift is given (Hyde 1979, 5, Spiller; Erakovic, and Pio 2010). These perspectives are reconciled by the agreement from both views that the gift is not to be accumulated but to remain in circulation, whether it is passed onto another in the non-exchange paradigm or passed back to the giver or to the community in the North American indigenous world view (Hyde 1979, 5; Spiller, Erakovic, and Pio 2010). Most importantly, both perspectives believe the giving should be done not to receive, but in order to satisfy the needs of others (Vaughan 2009, 94; Hyde 1979, 5). For example, the Uduk Tribe in northeast Africa believes that when a gift such as livestock or grain is given to another tribe, the moral action is to use the gift and not invest it in growth so that one man's gift is not another man's capital (Hyde 1979, 4).

The notion of gifting can also be applied to service where there is a move from monetizing and commoditizing relationships, which increases dependence on money, to an economy that favors strengthening relationships based on mutual caring to reduce dependence on money (D. Korten 2010, 19; Vaughan 2009, 94). In service, much like the notion of gifting, the sharing of one's support to satisfy another's need is the purpose (Vaughan 2009, 94). But this only works if there is a culture where acts of service are widely given freely, otherwise there is depletion and a sense of self-sacrifice for the gift-giver if acts of service do not come back to them as part of an intrinsic cultural norm (Vaughan 2009, 95; Hyde 1979, 38).

As an alternative or companion to the Gift Economy, some thought leaders advocate that monetized goods or products will still be exchanged through a Market Economy, but as part of a *Service Economy*, where manufacturers no longer sell products as commodities. Instead, consumers obtain desired services by leasing or renting goods rather than buying them outright (Hawken, Lovins, and Lovins, Hunter 1999, 10; Hart 2010, 115). In the book *Natural Capitalism*, Amory Lovins, Hunter Lovins and Paul Hawken advocate for "a new perception of value, a shift

from the acquisition of goods as a measure of affluence to an economy where the continuous receipt of quality, utility, and performance promotes wellbeing (Hawken, Lovins, and Lovins 1999, 10).” Manufacturers retain ownership of the product, are responsible for proper upkeep and repair, take the necessary steps to extend product life, and ultimately recover the item’s components and materials for recycling, reuse, or remanufacturing. These activities are all more labor-intensive and far less energy-intensive, and hence less polluting, than producing new goods from virgin materials (Hawken, Lovins, and Lovins, Hunter 1999, 10). The resulting efficiency and waste-reduction reduces costs and increase profits (Hart 2010, 89). In this way, the Service Economy marries the philosophies of the Gift Economy (valuing relationships over accumulating *stuff*), while also increasing the economic value prized in the traditional Exchange or Market Economy. Additionally, one perspective views the Exchange Market as mutually exclusive from the Gift Economy (Vaughan 2009, 94), while another views the two as divided by a semi-permeable membrane that allows goods and services to flow between them (Hyde 1979, 273).

Regardless if the economy uses money, gifts or both for exchange, the values around exchange become the guiding principle to focus on for creating a Blue Economy. Rather than prizing the accumulation of commodities (things that can be traded), the literature discussed above prizes exchange based on values related to relationships (things that can’t actually be traded) such as intentions that benefit others, keep goods in circulation, and are altruistic, non-exploitive, innocent, transparent, nurturing, connecting, satisfying, relationship forming, and personally fulfilling. Thus it is not what gets exchanged that matters (for example, the accumulation of wealth), but the values that govern the exchange (for example, benefitting others) that will guide the future economy.

### 3. Internalizing Externalities

Another key theme in the literature is removing market distortions by internalizing externalities (Rezai, Foley, and Taylor 2012; Carruthers and Mundy 2006; Lovins and Cohen 2011; McKibben 2007, Dator 2012; W. Berry 2010; D. Korten 2010). Externalities are the expenses and benefits that are omitted in calculating profits and costs of a system (Carruthers and Mundy 2006). For example, the cost of pollution that oil companies contribute to climate change is externalized (not included) in their business model as there is nothing the oil company has to pay to anyone for polluting. It is a negative externality since it is not included in the polluting company's systemic analysis and causes negative effects to those outside of its system (Rezai, Foley, and Taylor 2012, 2). The economics textbook, *Environmental Valuation* is devoted to assigning value to environmental factors usually omitted from economic analysis, such as applying a tax to pollution (Carruthers and Mundy 2006).

When a former externality is assigned economic value and included in a system's economic analysis, this is called internalizing the externality. And the implications are huge. For example, if there was a market such that the oil company had to pay a certain amount for a certain quantity of pollution, this would effectively internalize the externality, meaning include in the economic model what was previously not included (Lovins and Cohen 2011, 220). In their book *Climate Capitalism*, Hunter Lovins and Boyd Cohen devote a chapter to carbon markets. Also called "cap and trade," carbon markets came into existence in 1997 with the Kyoto Protocol and involved governments setting an upper limit, a cap, on a company's allowable emissions (Lovins and Cohen 2011, 224). Companies that reduced their emissions lower than the cap could trade their *unused emissions* so that companies that did not reduce their emissions below the cap could purchase them on a carbon market. While there have been successes and



failures to this approach, this example demonstrates the intention of internalizing an externality to accomplish an environmental goal. Paul Hawken critiques this approach, stating that “the problem with pollution permits is that they do just that-permit pollution (Hawken, 1993, 66).” He cites an Illinois power company that found it less expensive to buy pollution credits than to continue to pay for scrubbers to reduce pollution. While there are many challenges to address when internalizing externalities, I believe it is still worth figuring out since we continue to operate an economic system. Worker illness and unhappiness, extractivist practices, and pollution remain externalities that cost companies nothing, allowing them to exploit people and the environment and pollute. If the company was required to pay for natural resources and healthy work conditions, they would have to change their business models. Given the current system where corporate influence holds great power over law-making processes, this poses a considerable challenge.

On a national scale, fossil fuels receive heavy government subsidies, encouraging wasteful consumption and excessive pollution by creating market distortions. If our national budget internalized (included) the cost society pays for the pollution created by the subsidized fossil fuel industry, the cost benefit of the subsidy would diminish considerably. Futurist Jim Dator describes how subsidizing non-polluting renewable energy resources on a comparable scale would prove much more economically beneficial in comparison. Ultimately, more sustainable options must receive subsidies, or subsidies should be adjusted so as not to render sustainable options more expensive (“The Future We Want” 2012, 42). Many call for the restructuring of taxation to take into account true environmental costs so that pollution and costs that are often viewed as externalities to the economic system become internalized, rendering them more expensive and leveling the playing field for renewables (“The Future We Want”

2012, 42; W. Berry 2010, 27; D. Korten 2010, 14). By making choices based on economic scenarios where all the externalities are internalized, our future would look considerably cleaner.

#### 4. Contributing to the Whole or Greater Good

As the problems of *market-driven capitalism* are explored, consensus amongst alternative economy thought leaders is building that human success relies on a shift from the measurement of money to well-being for all by creating or reclaiming communal values (Sahtouris 1997, 5; Googins, Mirvis, and Rochlin 2007, 4; Schor 2010; Ruggie 2013; Alperovitz 2013, Van Gelder and Adamson 2009). Native American Rebecca Adamson describes communal values in an indigenous economy that are built on usage rights through the clan system that are a fact of your birthright (Van Gelder and Adamson 2009). This confidence comes from the cultural experience of living in a tribal economy where there is a general safety-net for all with no homelessness or grinding poverty but rather a band of general affluence and well-being below which no one falls (Van Gelder and Adamson 2009). A stance of abundance through tough times and through good times is maintained by having a spiritual base, strong values and by caring about something other than oneself (Van Gelder and Adamson 2009). She cites that this model differs greatly from US individual property rights where people can depend on little common resources resulting in fear that they will not have what they need.

As described earlier, neo-classical economics is based upon a flawed assumption about how individuals function in the market, assuming that people act rationally for their self-interest, which is expressed primarily through the quest for financial gain (D. C. Korten 2001, 76; Schor 2010, 169, Stiglitz 2015, 24). Business theorist David Korten describes how from a biological standpoint, species that prosper over the longer term are not the most brutal and competitive, but rather those that find a niche in which they meet their own needs in ways that

simultaneously serve the needs of others and contribute to life of the whole (D. Korten 2010, 148). He describes how the human brain is wired to reward caring, cooperation, sharing and service (Korten 2010, 126,129). Schor cites a 2004 survey, which found that 48% of adults reported having made a voluntary lifestyle change that resulted in earning less money (Schor 2010, 107). Socioeconomist Dennis BADEEN's critique of economic theory's oversimplified perspective of the "economic man" states that rationality as self-interested (utility) maximization is far too thin a notion to capture the empirically obvious complexity of human rationality including complexities in motivation, behavior, and evaluation of what's important (Badeen 2012, 18).

Paul Hawken further draws on biology in terms of evolution and the market interpretation of *survival of the fittest*. He critiques industrial companies that tout this *natural law* to justify consistently overstepping and exceeding carrying capacity to *win* (Hawken, 1993, 33). He clarifies that Darwin spoke of the fittest surviving *for a specific ecological niche*, and that multinationals recognize no limit, or no habitat, and so are misusing Darwin's theory (Hawken, 1993, 33). Companies that operate on the principle of self-interest will have no place in the Blue Economy.

Thankfully, the value of contributing toward the greater good is operationalized in many business models of Blue Economy Entrepreneurs. For example, the forward-thinking multinational engineering company, Arup, is owned by its 10,000 employees rather than shareholders and has three overarching goals: 1) do good for the world 2) ensure employee happiness 3) make profits, but only to serve goals 1 and 2. To accomplish such goals, companies need to evolve in transparency, internal governance, community economic development, work-family balance, environmental sustainability, human rights protection, and

ethical investor relationships with an enterprise-wide perspective for a coordinated and coherent effort (Googins, Mirvis, and Rochlin 2007, 5). Political theorist Gar Alperovitz shares that businesses are increasingly recognizing the benefits of business models geared to institutionalizing democratic participation in decision-making, governing and profit-sharing (Alperovitz 2013, 35). In the Blue Economy notions of abundance, sharing and contributing must replace the need to consume, own, and accumulate, eliminating the need for many soul-replacing items in today's market, and the fossil fuel used to produce them.

#### 5. Locally Empowered, Globally Connected

Much of the world's population still operates in a traditional local economy where basic needs are met directly by nature with little to no interaction with money (Hart 2010, 56; Bargh 2007, 1). This mostly exists in rural villages of developing countries where principles of self-sufficiency, community and frugality have allowed populations essentially to live off the land. But many of these communities are being infiltrated as multi-national companies enter, or are invited, through the incentives of government subsidies. Profits are exported to those who live elsewhere and without local investment in solutions the benefits to communities are minimal, essentially replicating a colonial economy (W. Berry 2010, 171; Sahtouris 1997, 3; Bargh 2007, 12). In his book *Capitalism at the Crossroads*, sustainable business strategist Stuart Hart describes how communities are forced to compete for resources through the expansion of the global money economy due to free trade and globalization, driving them into cultural disruption and poverty as their large families, which once represented extra labor in the traditional economy, prove a burden in a cash economy (Hart 2010, 56). Their options are few and include finding legitimate employment, creating or joining small unregistered enterprises, or falling prey to the criminal sector including prostitution, drug trafficking, and child labor (Hart 2010, 57).

Evolutionary thinkers like Sahtouris see the globalization of our world economy as not a choice, but an inevitable, even evolutionary process (Sahtouris 1997, 4). Maori neoliberal critic Maria Bargh advocates a different view, believing that globalization is not an inexorable law of nature, but the relentless effort of Wall Street and multi-national corporation to remove legal barriers to their expansion (Bargh 2007, 1). Whichever mechanism brought about the reduction of national borders, most agree that it has resulted in increased corporate control of world markets and resources and an increase in global exploitation and pollution resulting in global climate change (D. Korten 2010, 142; Bargh 2007, 4; Hawken 1993, 93; McKibben 2007, 179; Ruggie 2013, 35; Alperovitz 2013, 55; Lovins and Cohen 2011, 275). This shift has resulted in corporate-related human rights abuses and pollution, mostly in developing countries where weak governance exists, leading to a lack in local labor and environmental laws (Ruggie 2013, 35; D. Korten 2010, 143, Hawken 1993, 93). Evolutionary biologist, Dr. Elisabet Sahtouris, states that globalization has resulted in multi-nationals thriving at the expense of local economies and ecologies and likens this to the body trying to run at the expense of the cells (Sahtouris 1997, 2).

Sahtouris calls for *glocalization* rather than globalization, where local and global flourish at once (Sahtouris 1997, 2). As globalization occurs, it is essential to the health of humanity that all individuals are empowered to participate in the globalization process, which includes the ability for all to continually negotiate their interest among individual, local and global economies as well as the Earth itself (Sahtouris 1997, 2). As businesses participate with local populations many advocate that they should do so in a way that caters to the real needs of local communities, builds local capacity and preserves or increases esteem of individuals and the community (Hart 2010, 73). Ultimately economic activity should not exploit, but empower. Local self-reliance is a theme of empowerment where local systems balance consumption with

local resource availability, thus maintaining balance in the system as a whole (D. Korten 2010, 145). A strong theme of this dimension of the Blue Economy envisions self-reliant, bioregional economies interconnecting in mutually empowering relations on a progressive scale from the local to the global (D. Korten 2010, 125).

## 6. Disruptive Innovation over Improvement

The Green Economy has been critiqued for relying on incrementally improving the performance of existing products and processes, which perpetuates the current industry structure, rather than fundamentally restructuring industry through innovation (Hart 2010, 115). Many call for true innovation in business models, products and services that simultaneously create benefit for people, planet and profit (Osterwalder and Pigneur 2010, 125; Googins, Mirvis, and Rochlin 2007, 93). Social psychology, ecological analysis, environmental economics and evolutionary biology are just some of the areas of expertise that are being engaged by businesses to empathetically and pragmatically understand the perceptions and needs of end users and those effected including the community and the environment so that entirely new services and strategies can be developed (McKenzie-Mohr 1999, 8; Osterwalder and Pigneur 2010, 128). Such methodologies that bridge disciplines and approach innovation with a new perspective of achieving benefit for business, economic development, community and the environment will be a key guiding principle for the Blue Economy (Osterwalder and Pigneur 2010, 129; Googins, Mirvis, and Rochlin 2007, 66; Martin and Thompson 2010, 13).

Beyond simply moving around the pieces we already know, the Blue Economy will require true innovation that creates radically different business models, products and services that drastically change the status quo.

## 7. Protect and Evolve

The development of overarching visions, triple-bottom-line goals, effective policies, successful programs and innovative business models that produce prosperity for all including the environment is no small task. What may prove even more challenging are the institutionalization, the continuity, and the longevity of what proves successful. For example, corporations can operate with accountability to social and environmental goals, but once they sell shares publicly through Wall Street the values they may have had before become subordinate to Wall Street's prime value of driving profits (D. Korten 2010, 46). For a broader example, sustainability provided an idyllic overarching goal for businesses to honor the planet in their practices, but this often resulted in *green washing*, which is the dissemination of false or incomplete information by an organization to present an environmentally responsible public image (Furrow 2009, 22). Such false claims do not reach pollution reduction goals and result in the loss of faith of consumers in business and the market. The Blue Economy needs to be protected from fading and from false claims and instead it needs to allow those who create real, measurable triple-bottom-line impact to operate and grow. And the Blue Economy must ensure that those who do create such enterprises not only protect what has been developed from creeping into the likes of green washing or losing their community and environmental values altogether, it also must allow and foster flexibility and reflexivity for innovation and evolution for continual improvement. The literature breaks down the mechanisms of protecting and evolving the path forward to the notions of self-governance (Sahtouris 1997, Bargh 2007), government oversight (Korten 2010), or a hybrid of the two (Ruggie 2013, Hawken 1993).

One leading perspective calls for self-governance under shared values and principles within the market as a key to protecting the path and allowing evolution, much like all living

systems self-organize and maintain themselves by shared biological principles (Sahtouris 1997, 3). This approach can actually work with free-market advocates since they prefer this notion of minimized government as they view the market as efficient if left to operate without government interference (Bargh 2007, 7).

Another perspective advocates that the current state of capitalism, which is ruled by big money that has become increasingly concentrated and delinked from public accountability, is what happens to a market economy that lacks appropriate rules (D. Korten 2010, 52). From this perspective the Blue Economy needs the appropriate government to set the framework and to provide the context within which the daily decision-making of people and businesses balance individual, environmental and community interests (D. Korten 2010, 53).

As a hybrid model of rules and self-organizing, the Blue Economy must be democratic and accountable with an appropriate framework of rules within which people, communities, entrepreneurs, and responsible investors self-organize in predominantly local markets to meet their needs in socially and environmentally responsible ways (Hawken, 1993, 82). From this perspective, markets work optimally only if they are embedded within broader social and legal norms, rules, and institutional practices (Ruggie 2013, 201). Moving beyond mere rhetoric to evaluate true benefits in terms that are self-identified and valued by the community will be a paramount goal of the Blue Economy.

## **2.5 Evolving the Cornerstones of the Economy: Limited Non-Profits, Evil Corporations**

When it comes to serving the interests of communities, the disenfranchised and the environment, most think of the non-profit sector of the US economy. In their book *Empowering Non-Profits*, political scientists Berry and Arons describe how non-profit culture can actually be characterized as dependent and desperate since it is overloaded, underfunded and



understaffed (J. Berry and Arons 2003, 12). In their report *The Donor-Grantee Trap-How ineffective collaboration undermines philanthropic results for society, and what can be done about it*, Tierney and Steele describe how these attributes have surfaced in response to many influences collectively called the *starvation cycle* including unrealistic funder expectations and pressure to conform to donors' expectations (Tierney and Steele 2011, 5).

Non-profit organizations began to attempt to address the culture of the starvation cycle by cultivating a culture of empowerment to ensure that those working passionately for the mission of the organization would feel that they have the most and best support possible (Tierney and Steele 2011, 7). The report *Global Civil Society-Dimensions of the Nonprofit Sector* describes how this attempted transition to a culture of empowerment for non-profits is an important one for the economy citing that the Non-Profit sector in the US accounts for about 10% of economic life and the non-profit employment rate growing at a rate three times greater than overall employment, (Salamon et al. 1999, 8). In his book *With Charity for All: Why Charities are Failing and a Better Way to Give*, Stern explains that this innovation in non-profits faces challenges since organizations can be limited in their focus on service and set on their goals and metrics, which are solidified in by-laws and regulations (Stern 2013, 143). Non-profit organizations are increasingly challenged to accomplish their important missions with the entrenched culture of operating on a shoestring in an increasingly profit-oriented world.

Wendell Berry provides a sobering perspective on the alternative of corporations, stating that most people in the developed world have given proxies to corporations to provide most, and more commonly all, of their food, clothing and shelter (W. Berry 2010, 178). Yet David Korten points out that publicly shared corporations are accountable to the capitalist owners and to making profits over providing value to communities and the environment (D. Korten 2010, 46). Ruggie describes in his book *Just Business: Multinational Corporations and Human Rights* that

in the developing world corporations and multinational business infringed on the rights of individuals and communities worldwide to such an extent that human rights groups and businesses became locked in a stalemate (Ruggie 2013, xii). Environmental degradation, pollution, abusive workplaces, under-aged workers on assembly-lines, extremely low wages, severe health and safety risks, deadly industrial accidents, forced overtime and similar atrocities became signature case studies of multi-national corporations in developing countries (Ruggie 2013, 2,4,5, 9). Rather than protect their people, governments have been engaged by corporations to protect their assets (Ruggie 2013, 17). And the effects ripple beyond the workers. Of the claims filed by 180 countries at the London-based Business and Human Rights Resource Centre, 45% effect workers, 10% end-users and 45% communities, including their environments (Ruggie 2013, 23).

## 2.6 A Hybrid Path Forward: B Corp

An article in the *Kansas Law Review* summarizes the challenges faced by organizations with a social mission as they attempt to select their business form:

Businesses with models that pursue a dual mission of making a profit and providing a social benefit are constrained by the choice of business forms available. The nonprofit form is not always a viable choice because nonprofits are unable to distribute profits and be privately owned. Nonprofits face difficulties in raising capital (both debt and equity) and have additional operational burdens imposed on them to maintain tax exempt status. Further, the trend among nonprofits has been increasingly to rely on the revenue generated in furtherance of their social purpose ("earned" revenue) and less on philanthropic and government support. Operating costs for nonprofits have been increasing, private donations and governmental support have decreased, the number of nonprofit organizations has increased substantially causing competition for funds, and demand for the services provided by nonprofits has increased. This has caused many nonprofits to walk a fine line to keep their tax exempt status and others to seek a for profit form that better suits their needs (Kimbrell 2013, 553).

The article further describes the challenge when social enterprises operate as a corporation rather than a non-profit:

a company that has made a commitment not to pursue profit at the expense of society or for a company with a primary goal of social benefit, director decisions that explicitly fail to take into account shareholder wealth maximization would likely not be afforded protection by the business judgment rule because the directors would have consciously disregarded a known duty and therefore would not have acted in good faith (Kimbrell 2013, 556).

Other complications occur for socially focused corporations:

Directors have a duty to sell to the highest bidder. A social enterprise would therefore be forced to take the highest offer regardless of the likelihood of the acquiring company carrying on the mission of the social enterprise (Kimbrell 2013, 557).

The non-profit B Lab, whose mission is to harness the power of business for good, offers a solution to these challenges. It has worked to pass state legislation that recognizes qualifying companies seeking to use business to solve social and environmental problems as a new entity called a Benefit Corporation. This recognition provides legal protection for these companies to pursue a higher purpose than profit, while also offering investors and the public greater accountability to protect against pretenders (B Lab 2012, 10). Benefit Corporations are exactly the same as traditional corporations except for three things: 1) they have to have a corporate purpose to create a material positive impact on society and environment 2) they expand fiduciary duty to require consideration of the interests of workers, of community and of the environment; and 3) they have to publicly report annually on overall social and environmental performance using a comprehensive, credible, independent and transparent third party standard (B Lab 2012, 23). B Lab mandates that Benefit Corporations include legal language in their corporate Operating Agreements that recognizes the environment and communities as corporate stakeholders that need to receive just as much benefit as their financial shareholders (B Lab 2012, 6). Legislation recognizing Benefit Corporations has been passed in 31 states including in Hawaii and in Delaware, where more than 900,000 business entities, 50% of all

public companies and 2/3 of all Fortune 500 companies are incorporated (B Lab 2013, B Lab 2016).

Some critics say that traditional corporations are not restricted in considering community and the environment so they see Benefit Corporation legislation as creating an unnecessary, dangerous division in how corporations are viewed (Underberg 2012). Yet case law shows that “in daily decision making, the protection of the business judgment rule may be revoked if a director “confesses” to making a decision to promote social good rather than increase profit (Kimbrell 2013, 557), proving the necessity of Benefit Corporation legislation. Supporting this view, the President of the American Bar Association calls this legislation “the first real, original, constructive thought anyone has had in the corporate governance world in about 25 years” (B Lab 2012, 21). Becoming a Benefit Corporation legally allows an entity to serve the community and environment as well as profit shareholders, and if B Lab is successful in uniting the nation in passing legislation, then Benefit Corporations may one day enjoy tax benefits similar to non-profits.

Companies that wish to be legally recognized as Benefit Corporations can use any reputable third party certification to qualify as a Benefit Corporation. In addition to working to pass Benefit Corporation legislation across the country, B Lab also offers the internationally accepted gold standard certification program for businesses called B Corp. B Corp marries the accountability, mission and transparency of non-profits with the agility and innovation of business to solve social and environmental challenges. And if corporate behavior originates from corporate design, then the goals of an evolved corporate design should result in evolved behavior. This describes the mechanism behind the B Corp certification.

B Lab believes business is the most powerful human-made force on Earth and so should be used to address the most challenging environmental problems, provide fulfillment where

people bring their whole selves to work, and influence the market beyond the scope of their individual businesses to create value for society, including improving the quality of life in communities for current and future generations (B Lab 2012, 6). B Corps are earning their reputation by using metrics in the areas of environment, community and profits to show outstanding performance above other companies. For example, of 2000 self-proclaimed sustainable businesses that participated in a third party verification of impact on communities, workers and the environment, B Corps scored 25% better than other sustainable businesses (B Lab 2012, 29).

From B Lab's perspective, the road to a Blue Economy includes offering quality jobs, building strong communities, championing healthy environments and alleviating poverty (B Lab 2012, 11). As reported by the Wall Street Journal, these values attract Millennials: "More companies are touting the B Corp logo... to attract young job seekers who want an employer committed to both a social mission and the bottom line (B Lab 2015)." Goldman Sachs found that Millennials, "have specific needs at work that are dramatically different from previous generations (Honeyman 2015)." Sustainable business consultant Ryan Honeyman, who has written the only book on B Corp, *The B Corp Handbook*, states that high among these needs is a desire to align personal and corporate values, stating that "to attract and retain this group, we believe that companies need to provide rewards beyond financial gain (Honeyman 2015)."

Over 1500 international companies including Patagonia and Ben and Jerry's Ice Cream have undergone the rigorous B Corp certification process, which includes voluntarily meeting higher standards of transparency, accountability, and performance (Honeyman 2015). And an additional 15,000 companies use the free B Corp assessment tool to measure and improve their performance in governance, and social and environmental impact (B Lab 2015). B Corps were

featured in 250 press articles and highlighted in over 600 new stories in 2014 (B Lab 2015). Headlines include “B Corp Provides What is Lacking Elsewhere: Proof” in *The New York Times*; “One of the most trustworthy eco-certifications” from the *Sierra Club*; and “The highest standard for socially responsible business” in *Inc Magazine* (B Lab 2015).

While there is much press on the concept of B Corp and promotion of B Corp companies, as well as handbooks and how-to guides, there is very little in terms of academic literature, save for a few articles in Law Reviews that are cited above. What is missing from the literature is a comprehensive understanding of the *meaning* of B Lab’s efforts in creating political significance and a potential movement for a Blue Economy. This gap, and the purpose of this project in addressing it, will be described in more detail in the next Chapter.

## **2.7 Is the Market Ready for Triple Bottom Line Companies Like B Corp?**

B Corp critics are concerned that the focus on these metrics will discourage investors who will fear this reduces a focus on profits, but a new type of investing called Impact Investing or Socially Responsible Investing (SRI) comprises nearly 10% of U.S. assets (\$2.3 trillion) and actually requires non-traditional as well as traditional investors such as J.P. Morgan and Prudential to seek out such companies for their social and environmental impact investment portfolios (B Lab 2012, 54; Underberg 2012; Clark, Biddle, and Vranka 2013, 3, Davidson 2016). An October 2015 ruling by the U.S. Labor Department cleared the way for managers of pension funds and 401(k) plans to consider SRI factors in their investment decisions, creating what the Wall Street Journal called “a watershed moment for sustainable investing (Davidson, 2016).”

Industry analysts have also proven that benefitting society and the environment are not trade-offs for profits, but actually measurably increase a company's economic bottom line by attracting and retaining the best and most dedicated talent, increasing employee productivity, reducing expenses through efficiency, increasing revenue by securing loyal market share and reducing risk for easier financing (Willard 2002, 21, Davidson 2016). Ultimately, sustainability related business strategies not only achieve environmental goals such as pollution reduction, they benefit a firm's economic and competitive position (Hart 2010, 76). A five year evaluation of over 300 Fortune 500 companies quantifies that those with better environmental performance achieved superior stock market performance of approximately 230 points, or 10%, per year, which refutes the argument that pro-environmental activities adversely affect bottom-line performance (Willard 2002, 132). Companies proactive for the environment and their communities often have strong leadership, sound business strategies, financial fitness, innovation, employee motivation, and quality products, all which improve market-share, customer loyalty, revenues and profits (Willard 2002, 135). A 2015 review of national mutual fund performance showed that SRI funds out performed non-SRI funds in one year, three year, five year, and ten year returns (Davidson 2016).

Ultimately the market is becoming more conscious and more values-driven with approximately 68 million U.S. consumers stating a preference for making purchasing decisions based upon their sense of social and environmental responsibility (Clark, Biddle, and Vranka 2013, 2). Forty-nine percent of Americans would boycott companies whose behavior they perceive is not in the best interest of society and 86% of consumers would switch from their current brand to a brand that is socially and environmentally responsible if quality and price were equal (Clark, Biddle, and Vranka 2013, 3). As consumer demand for socially responsible

products and companies increases, consumer trust in corporations is declining so there is the need to back up claims with verifiable standards, legally recognized business entities and reputable certifications (Clark, Biddle, and Vranka 2013, 3). These drivers and responses in the market should result in an expansion and evolution of the economy through the creation of entirely new jobs, professions, businesses, products, services and technologies (Hart 2010, 53).

## 2.8 Chapter Summary - Business as a Force for Good?

There are many thought leaders who believe that it is possible, or at least a worthwhile effort, to create a future, stable and sustainable triple-bottom-line economy where environmental stewardship and social equity are woven into the structure of a prosperous economy for all. This vision represents an unprecedented paradigm shift on a global scale, challenging entrenched interests and structures found in every business, community and government on Earth. The vision of a fossil fuel free world where climate change is drastically mitigated requires a similar paradigm shift. Shift the global economy and one shifts climate change. Period. Such a globally systemic undertaking requires more than the sum of piecemeal efforts. It requires an organized, mobilized and powerful cohesive movement.

B Corp would like to be that movement. Rather than take the political route to economic reform where the end goal is to influence or regulate major players in the market economy, they are striving to be those major players that not only regulate themselves, but also transform their entire industry. B Corp leaders around the globe are creating companies and multi-national corporations that aim to change the economy by using the force of business for good.

Businesses are unlikely agents in transforming the economy since as described in the beginning of this chapter, traditional economic theory states they have the most to gain from the status quo economic structure (Stiglitz 2016; Ruggie 2013; Alperovitz 2013; Kelly 2012). Yet B



Corps attempt to prove that business can make social and environmental impact. While they are relatively few in numbers, they are large in influence as they repeatedly lead their industries with their innovative models. With higher employee attraction and retention due to shared values, resilience through recessions due to value-based market loyalty, and cost savings due to material and production efficiencies and reduced pollution, they win in traditional competitive markets while accomplishing meaningful environmental goals.

Functioning individually these businesses may only influence their region or industry, but by uniting together they are attempting to build a movement that has the potential to impact all sectors of the global economy. Critical blogs about B Corp with titles like “Hope or Hype” and “Green Smoke and Mirrors” doubt that B Corps have any true capacity to create impact. They question whether the businesses are truly creating a triple-bottom-line benefit and whether a collective of B Corps can create an impactful movement to evolve the larger economy. As with the start of most movements, the real outcome is far from being realized. Yet over 1500 businesses are participating in the global economy as B Corps and they may be the thin leading edge of a wedge aimed at disrupting the power structure of their markets.

# CHAPTER 3: LEARNING FROM THE LEADERS OF THE BLUE ECONOMY

## 3.1 Chapter 3 Introduction

This chapter on methods of the project introduces the B Corps being studied, including how they were selected and how they came to participate in the interviewing process. It will then describe the data collection research method. All aspects relevant to how the research was carried out are included in this Chapter.

## 3.2 Problem Statement – Research Gap Addressed

As I dove into the world of B Corp, I was in search of insights into how the power structure of market players could evolve to create a more stable, thriving economy, just society, and sustainable ecology out of the rapid changes of the next century. As I described in Chapter 1, I learned that B Lab positions B Corp as a movement that is creating measurable ripple effects in business structures that benefit the global economy, society and the environment. Yet the literature had very little on B Corps, save for a few articles in Law Reviews. No one seemed to be talking about the actual or potential political, social, or economic significance, except for the creator of B Corp, B Lab.

There was, and remains, a glaring need for insight into what B Corp is actually accomplishing for businesses and for the bigger picture of society and the economy. As the leader of a company that had to face many challenges to become a B Corp such as deciding between being a non-profit or for profit, researching 3<sup>rd</sup> party verification processes and certifications, and contemplating whether it was worth the cost and time it would take to become a B Corp, I had some insight into the depth of understanding and contemplation B Corp leaders

went through. I thought of all the organizations that had wrestled with such questions and ultimately made a series of decisions that led to becoming a B Corp. They presented an untapped mine of insights and perspectives on B Corp as a certification, and as a movement. If anyone was thinking about B Corp and what it meant, and was watching it closely as it played out for individual companies and the big picture, it was B Corp leaders. I decided to use this project to mine the diversity of perspectives on B Corp to ultimately understand not only its mechanics, but its meaning.

This project aims to shed light on the history, current state, strengths and weaknesses, political significance and possible futures of the B Corp movement through the values, beliefs and ideas of those leading it. I set out to interview B Corp leaders from across the country who have similarity in accomplishing the certification, but otherwise are incredibly diverse in industry, geographic location, age, race, maturity of business etc. B Corp is complicated, time consuming, and not mainstream, so there had to be some reason these leaders chose to do it anyways, and those ideas inevitably would reveal commonalities and diversity in meaning. I chose grounded theory specifically because it does not begin with a hypothesis, but rather a population that has experienced a common phenomenon and tries to build theory from their experiences, ideas, beliefs, and perspectives. This differs from the method *phenomenology*, which aims to richly describe so that the reader empathizes. Grounded theory instead uses such rich descriptions to develop theory that explains processes and actions, unearths causality, and captures implications related to the data. As I did not have a hypothesis around the mechanisms and impact of B Corp, save for my own experience and what was reported by B Lab, grounded theory offered the path to mine the collective knowledge of those most experienced with B Corp and see what emerged.

My initial questions began with ones I had contemplated personally and with other local businesses that were part of the Sustainability Association of Hawaii. The original question guide also included direct questions that would answer my research questions such as “do you think B Corp is a movement?” and “what is the current and potential political significance of B Corp?” In working with my dissertation Committee, additional questions were added that would gain critical insight such as “what are the flaws of the B Corp movement,” as well as address the actualized structure of their company rather than mere rhetoric of meaning with questions such as “what structures have you created in your company to operationalize your values.”

I had my first opportunity to conduct interviews at a conference only open to B Corp leaders. The importance of my positionality as a B Corp leader myself became paramount, both to attend the conference and to gain the respect and participation of my interviewees. Constructivist Grounded Theory greatly values this reflexive position of the researcher, so I narrowed my research method to this approach. Following the conference, I was able to reflect on the interviews and evolve the interview guide with themes that emerged. Iterative evolution of the interview guide is a core attribute of grounded theory. Surprisingly, I hadn’t included any initial questions regarding the Millennial generation, despite my deep experience and understanding of this demographic. I had considered my experience with them unique, until Millennials kept being referenced in my interviews. In my second round of interviews following the conference I added direct questions about the resonance of B Corp with the Millennial generation and learned some fascinating insights.

After conducting enough interviews to *saturate* the themes that emerged from the data, I entered the transcribed interviews into the software Nvivo. Nvivo allows lines of text to be highlighted and tagged into categories of meaning. This is referred to as *coding*. This allowed me to categorize the insights from B Corp leaders and determine commonalities and diversities

of perspectives. By arranging and cross-referencing categories, theory was developed and will be described in Chapter 4. For now, I will expand on the method described in this introduction, beginning with concise summaries of the project objectives and guiding questions, followed by a discussion of Grounded Theory and the distinction of Constructivist Grounded Theory. Data collection including sample selection and the interview procedures are described next. This Chapter also describes the processes for the analysis and theory development. Finally, assumptions and limitations are discussed. The Chapter lays the groundwork to understand the results of the analysis, and the theory developed in Chapters 4 and 5.

### 3.3 Objectives

The objectives are the goals of the research. In grounded theory, they usually involve theory that explains and/or predicts processes surrounding a phenomenon (Charmaz, 2006, 149). Objectives are important because they help guide the development of the research questions and the design of study.

The objectives of this project include developing theory around:

1. triple-bottom-line business leaders,
2. triple-bottom-line business structures,
3. visions for a Blue Economy,
4. the current and potential role of B Corp in creating a Blue Economy.

### 3.4 Guiding Research Questions

The guiding research questions are designed to address the objectives. These questions in grounded theory, as in most qualitative research methods, should be open ended, avoid

imposing preconceived concepts, and invite detailed descriptions that often surprise the researcher (Charmaz, 2006, 33). The guiding research questions for this project are as follows:

1. What common goals and core concepts emerge from B Corp leaders to articulate the Blue Economy?
2. What values and beliefs are common amongst B Corp leaders and where did they gain them?
3. What ideas do B Corp leaders have, and have they implemented, for the processes, power relations, and structures required to create businesses that drive a movement toward a thriving, just, ecologically sound Blue Economy?
4. How do B Corp leaders describe the B Corp movement for the Blue Economy? What do they see as unique about the movement including its strengths, weaknesses and flaws?
5. What do B Corp leaders believe is the current and potential political significance of the B Corp movement?

### **3.5 Research Design Using the Constructivist Grounded Theory Methodology**

Since the goal of the analysis is to develop theory about B Corp leaders and their ability to create a Blue Economy, the selected methodology of analysis is grounded theory since it uses data to reveal themes and meaning, builds hypotheses, then develops theory. Glaser and Strauss offered the method of Grounded Theory in their 1967 seminal work “The Discovery of Grounded Theory: Strategies for Qualitative Research”. They characterized this approach as a means to move beyond proving existing theory, to creating theory (Glaser & Strauss, 1967, p. 7; Gibson and Hartman 2014, 12). Rather than beginning with a hypothesis, the experimenter commits to an inductive process that begins with observation and inquiry, detects patterns and essentially reverse engineers a hypothesis that leads to new theory. As a mechanical engineer

I appreciate this method of working backwards from what is observed to innovate rather than prove or disprove something already known.

Grounded theory differs from other qualitative methods, such as critical analysis, often used in political science research. For example, methods differ in goals. The goal of phenomenology is to study how people make meaning of their lived experience; discourse analysis examines how language is used to accomplish personal, social, and political projects; and grounded theory develops explanatory theories of basic social processes studied in context (Starks and Brown Tinidad 2007, 1372).

Narrowing the comparison to a discussion of critical analysis and grounded theory reveals why the latter was chosen over the former. Critical analysis asks 'what discourses are used and how do they shape identities, activities and relationships' (Starks and Brown Tinidad 2007, 1372). Grounded theory is used for research questions that ask how a process occurs and what is its meaning (Helene Starks and Susan Brown Tinidad 2007; Gibson and Hartman 2014, 45) . Since my research questions include inquiry about process, such as discovering what processes, power relations, and structures are required to create B Corp businesses; and since they include inquiry on meaning, such as understanding the current and potential political significance of the B Corp movement, grounded theory is a more applicable method for answering these questions.

In the 90's Strauss broke away from Glasser and published a different version of grounded theory with Juliet Corbin in their co-authored book, *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory* (Strauss and Corbin 1998). Then in 2000 Kathy Charmaz published a different version of grounded theory called *Constructivist Grounded Theory*. A 2013 meta-analysis of articles on grounded theory and constructivist

grounded theory that were published over a forty-five-year span categorizes the key differentiators between these three prominent approaches to grounded theory as summarized in Table 1.

Table 1. Characteristics of Three Prominent Grounded Theory Methods

	<b>Strauss and Glaser (1960)</b>	<b>Strauss and Corbin (90's)</b>	<b>Charmaz (2000)</b>
<b>Reasoning</b>	<b>Inductive</b> (gathering evidence, seeking patterns, and forming theory to explain what is seen)	<b>Inductive</b>	<b>Inductive</b>
<b>Researcher's Epistemological Position</b> (belief about knowledge)	<b>Objectivist</b> (there is one truth outside of an individual's biases, observer and observed do not influence each other, the intrinsic nature of an object can be known)	<b>Subjectivist</b> (all knowledge is constructed through interaction with others, observer and observed influence each other, all knowledge is a perspective, the intrinsic nature of an object cannot be known)	<b>Subjectivist</b>
<b>Researcher's Ontological Position</b> (belief about the nature of reality and its relationship to humans)	<b>Critical Realist</b> (one reality existing whether it is experienced or not)  Positivist (empirical, believes in an objective, unbiased reality)	<b>Relativist</b> (there is no reality other what is perceived, there are as many realities as there are individuals)	<b>Critical Realist</b>
<b>Result of Epistemological and Ontological Positions</b>	The researcher is external to the process and is an observer viewing meaning rather than a creator or participant in creating meaning.	Meaning does not come out of an interplay between viewer and the viewed but is imposed on the viewed by the viewer.	There is a mutual creation of knowledge by the viewer and the viewed.
<b>Role of Literature Review</b>	Begin the research without a literature review so you are theoretically agnostic. Only do literature review after all data has been coded and the central category discovered.	Literature review informs approach prior to research.	Literature review and experience lead inquiry. Ongoing simultaneous literature review, data collection and analysis inform emergent meaning.



Table 1. Characteristics of Three Prominent Grounded Theory Methods

<b>Theoretical Sensitivity</b> (sensing what data are important)	Sensitivity comes from being a blank slate with no bias.	Sensitivity comes from using techniques to help researcher view data through multiple lenses to see multiple truths.	Sensitivity comes from recognizing a subjective interrelationship between interviewer and interviewee in the co-construction of data and meaning.
<b>Role of Researcher in Constructing Theory</b>	Unbiased reporting of categories and meaning supported by the literature.	The researcher experiences the data through multiple methods and theoretically reconstructs the experience and meaning interweaving the voices of interviewees and the literature.	In addition to interweaving the voices of interviewees and the literature, researchers, in their "humanness," are part of the research endeavor and their voice must be included and acknowledged by themselves and by their readers as an inevitable part of the outcome.
<b>Researcher's Perspective on the Theory Created</b>	Theory is an imperfect understanding of reality, and the goal is to move closer to describing the "real" reality.	Theory is comprised of subjective perspectives based on subjective data.	Theory is a subjective perspective integrating data reflecting a real world but recognizing the theory is co-constructed perspectives and not the entire reality.
<b>Validity and Verification of the Theory</b>	Theory is valid if it is proven useful when applied to real world situations.	Theory is valid if it is proven useful when applied to real world situations.	Theory is valid if it is proven useful when applied to real world situations.

In summary, the three theories are all similar in the following ways:

1. The goal is to build theoretical discussion about an area or problem that is important in some way (Gibson and Hartman 2014, 61)
2. The goal is to build new theory rather than verify existing theory (Gibson and Hartman 2014, 71)
3. The research process is open and iterative (Gibson and Hartman 2014, 62)

4. The theory must be grounded in the data, meaning it must be grounded in observation (Gibson and Hartman 2014, 60)

The attributes of CGT I found most valuable include the following:

1. CGT is nominalist rather than essentialist in its outlook. Meaning does not lie dormant within objects waiting to be discovered, it is rather created as individuals interact with and interpret these objects (Breckenridge et al. 2011). Properties do not exist independent from the human mind and the researcher's perspectives or classification scheme (Gibson and Hartman 2014, 55). CGT attempts to interpret how participants construct their realities and present multiple perspectives, as opposed to traditional grounded theory that aims to conceptualize the latent pattern of behavior (Breckenridge et al. 2011).
2. The researcher is participatory in co-creating meaning with the researched (Gibson and Hartman 2014, 46, 50). This differs from traditional grounded theory that aims to remove the researcher from the process so that the questions and insights arise from just the data (Glaser and Strauss 1967, 251).
3. The literature review may be performed prior to data collection and pre-understanding is viewed as valuable in all phases of the method (Charmaz 2000, 511; Gibson and Hartman 2014, 47, 49).
4. The research questions are more direct and can be based on the researcher's inside knowledge and perspectives (Gibson and Hartman 2014, 47).

5. CGT has the interpretive power to link the constructs of researchers to what things mean for participants (Mills, Bonner, and Francis 2006, 7).

Many scholars advocate that it is essential the researcher picks one path rather than engage in mixing key components of the different strategies (Breckenridge et al. 2011) (Mills, Bonner, and Francis 2006, 8). I selected Charmaz's Constructivist Grounded Theory because as a mechanical engineer who has deeply studied physics, I am a critical realist believing there is one world that exists and I also believe knowledge is subjective. I also agree with Charmaz that engaging my experience and knowledge and the literature in a highly conscious *reflexive* process takes into account the true nature of research and constructing meaning. CGT specifically casts the role of researcher as participatory since the researcher in some way identifies themselves within the researched (Gibson and Hartman 2014, 46; Mills, Bonner, and Francis 2006, 7). This greatly contrasts with traditional grounded theory where the researcher is to strictly avoid bringing in any preconceived knowledge or perspectives into the process of interviewing or analysis (Gibson and Hartman 2014, 33). Since I have a unique insider's perspective as a B Corp leader myself, and since being such an insider was essential for securing interviews and rapport with busy business leaders, one of the key reasons I select CGT was because every phase of the method, from question formation to theory building, values the role of a researcher with insider experience and knowledge.

Strauss and Corbin express that grounded theory researchers who weave their opinions and additional literature into the reporting of research results can come under fire from those familiar with other qualitative methods for *forcing data*, meaning making the data fit with their preconceived notions. As such, it is critically important to discuss how I allowed data, meaning, and theory to emerge by ensuring a *reflexive* and not a *dominate* role throughout the entire

process of the research and analysis. I believe I accomplished this in the research design by creating open questions that were informed by my knowledge and experience, but did not reflect my preferences or opinions. For example, rather than asking if interviewees offered employee ownership or profit sharing I asked “How are profits distributed?” Instead of asking if interviewees were familiar with the Global Justice Movement, I asked “What other movements are you aware of that address the same issues?” I continued my reflexive and non-dominant stance during the data collection phase by uniformly posing the research questions to all interviewees and by striving to listen deeply rather than conversing or sharing my thoughts. I then followed the research method and coded each line of the transcribed interviews with openness and curiosity and let the long, intricate process reveal categories that were sometimes expected and sometimes surprising. I also soaked up the meaning contextualized in the interviews and added my thoughts and perspectives when they bolstered what had emerged from the data rather than my stand-alone thoughts.

Throughout the research process the predominant lens I took was to allow data and meaning to emerge, while simultaneously recognizing that as the researcher I play a role in the entire research process. I believe this approach minimized bias error by ensuring that my role was always consciously recognized and accounted for. That there were many surprises, not only in the data but in the meaning that emerged from the rigorous coding process, makes me confident that I applied this methodology with a useful reflexive approach as intended and championed by Charmaz.

### **3.6 Participant Selection Strategy**

While critical analysis selects a sample from those situated in one or more of the discourses of interest, grounded theory samples from those who have experienced a

phenomenon under different conditions (Helene Starks and Susan Brown Tinidad 2007, 1373). Grounded theory usually studies multiple individuals who have been active in a process related to a central phenomenon, in this case the process of becoming a B Corp leader (Creswell, 1997, p.112). Participants often do not experience the phenomena at the same site to provide varying contextual information useful in the analysis (Creswell, 1997, p.114). To explore varying contexts, data collection for this project includes interviews with B Corp leaders from across the U.S., rather than just those in Hawaii for example. The sample is still considered homogeneous in nature since individuals have all experienced the same phenomenon, in this case becoming a B Corp leader (Creswell, 1997, p.117).

The original respondent selection strategy for this research included taking half of the data sample from B Corp Leaders who attended the B Corp annual Summit in Colorado in 2013, as they represent the most engaged of the greater B Corp community, and half were to be randomly selected from the B Corp Directory to provide more diversity for the sample.

I originally assumed that attendees of the Summit would be the most engaged in the B Corp movement. When I arrived at the summit and began connecting with people randomly, I realized that they represented an incredible cross-section of engagement in B Corp, both as a certification and a movement. Some came just to network. Some had known they would qualify as a B Corp so they assigned a staff member to get the certification, but had given little thought to its value. Others were incredible advocates. Participants also ranged in age, company size, geographic location, industry, et cetera. I realized that there was substantial variation in almost every characteristic that I could think of throughout the Summit attendees. Since grounded theory sampling requires diversity that saturate thematic categories over statistical random sampling, I was pleased to find that the Summit provided such richness in diversity for a more complete sample than expected.

I sent an email to all attendees prior to the conference and coordinated nearly 30 interviews during breaks and scheduled down time throughout the conference. All interviewees signed an Informed Consent Form included in Appendix A, the interview data was kept anonymous, and I received IRB approval from the University of Hawaii for this research. In grounded theory, individuals must provide permission to be studied and need to have rapport with the researcher to disclose detailed perspectives about their experience of a process (Creswell, 1997, p.117). Given the incredible importance of building rapport between the researcher and interviewees, I attempted to increase diversity within the sample by asking people during coffee breaks, in the bathroom, and at networking events, if I could chat with them about my research and follow up with them after the conference. This resulted in an additional 20 interviews that were performed by phone and Skype over the next months. Since participants were immersed in a process of involvement and reflecting about the B Corp movement, and since they had time and the intention of networking and connecting with new people, it proved an ideal dynamic in which to connect and build rapport in person. Ten per cent of the sample was due to random encounters during US travel where people I met were either B Corp leaders or connected me to B Corp leaders. I ultimately ended up solidifying an incredibly diverse sample. This proved highly valuable for CGT where sampling is based on representative diversity over random sampling, as described in the next paragraph.

Glaser and Strauss's seminal book on grounded theory introduced the concept of theoretical sampling, but did not detail how to select a sample (Gentles et al. 2015, 1779). A 2015 literature review focused on sampling for grounded theory concluded that *what is selected* is unclear or inconsistent between authors (Gentles et al. 2015, 1776). The authors of the literature review studied this variance and concluded that sampling in grounded theory can best be described as an exercise in "where to go to obtain data" (Gentles et al. 2015, 1776). CGT

expanded on this concept, stating that the goal of research is to secure a wide variety of concerns and a number of different perspectives from which to view these concerns (Gibson and Hartman 2014, 123). In this method there is no way to predetermine if the characteristics that you have selected reveal variation in your sample that will be the most relevant (Gibson and Hartman 2014, 124). Nor can you be sure that these characteristics will yield the largest variation in the concerns of your participants (Gibson and Hartman 2014, 124). Sampling in CGT focuses on seeking some measure of variation in the characteristics of your participants (Gibson and Hartman 2014, 124). As described above, the sample selection strategy for this project created a sample that was incredibly diverse in many characteristics, fulfilling the requirements for sampling for CGT.

The same literature review on sampling in grounded theory found that the common criteria for determining when a sufficient sample size has been reached is saturation (Gentles et al. 2015, 2014). This was cited by Glaser & Strauss, 1967; Glaser, 1992; Charmaz, 2003; Merriam, 2009 and others (Gentles et al. 2015, 2014). Thus, the goal of the research in grounded theory is to collect enough data to saturate the categories, meaning add information until adding new information does not increase understanding (Creswell, 1997, p.56 and 242). Glaser and Strauss recognize that throughout the research process there will always be the potential for the *new to emerge* so they emphasize that saturation is more a matter of recognizing that *the new* that is discovered does not necessarily add anything to the overall story, model, theory or framework (Strauss and Corbin 1998b, 136). A guideline suggests hour-long interviews with 20-30 people typically provide enough detail and saturation to develop theory (Creswell, 1997, p.113). Ultimately the researcher must ask: How would the theory hold if I gather more information from people similar to those I initially interviewed (Creswell, 1997, p. 240)? Since I collected considerably more interviews, gathered data diverse in many

characteristics, felt that all relevant categories emerged, stopped learning new information with additional interviews so categories became saturated, and felt I had ample data to create theory, it can be concluded that the project sample size was sufficient according to all criteria described in this section.

### **3.7 Data Collection Procedures**

Data for grounded theory can be primarily collected using an interview protocol and transcriptions, so this is the approach I took (Creswell, 1997, p.113). The interviewing strategy for grounded theory involves participants describing their experience while the interviewer probes for detail and clarity (Helene Starks and Susan Brown Tinidad 2007, 1373). The data collection included informal, semi-structured interviews with the sample of B Corp leaders described above. The interviews held at the B Corp conference were all conducted in person. The remaining interviews were conducted via phone or skype. Interviewees signed a form agreeing to the recording of the interviews. They were also informed that their name and the name of their company would remain anonymous.

I did not notice a difference in the quality of responses whether the interviews were in person or through other technology. The bigger differentiator determining quality of responses was the amount of focus the interviewee could provide compared to other demands on their time or energy. If they were speaking with me from home versus between meetings at the office, I received deeper and longer responses. In all cases, interviews lasted 30-60 minutes.

In developing CGT, categories with specific properties emerge from the analysis and data is collected for each category. Category construction occurs when data collection and data analysis are performed concurrently (Merriam, 1998, p.181). It is not always obvious at the beginning of the study which bits of information will be meaningful, or which properties will



describe useful categories. These parameters of analysis are refined during the process of separating out bits of information and assigning them according to criteria into categories (Merriam, 1998, p.180). This is further described in the next sections. What is important to note in this discussion, is that the question guide evolved throughout the process, including omitting questions or adding new questions. The final Interview Guide is available for reference in Appendix B.

For example, an interesting evolution to the interview guide occurred as I reframed key questions in an effort to extract more useful data. Again, grounded theory allows for iterative changes in the interview protocol as the analysis occurs in parallel to the data collection (Merriam, 1998, p.181). In CGT, the researcher does bring to the process their perspective and knowledge, but it's important to note that these perspectives may become less or more relevant as theory is developed (Gibson and Hartman 2014, 125). A key iteration in my approach occurred when I sensed that interviewees were reluctant to answer any question that asked them to critique B Corp and B Lab. Since we are both B Corps I suspected that they were following social norms of the community and attempting to connect with me in the spirit of comradery and support for the brand. I decided to try using a consulting technique that engages members of an organization in providing both complimentary and critical feedback of their organization. The reason this technique works is because it is based on the principle that unearthing all the elements of the organization that are working and not working is the only way to create a truly useful business strategy. Using this technique reorients participants from *singing praises* to *getting it all out on the table*.

This commonly used methodology for reflecting on the state of a business and creating business strategy is called a SWOT Analysis. SWOT stands for strengths, weaknesses, opportunities and threats. Strengths and weaknesses refer to attributes internal to the business

like employee talent or sinking profits. Opportunities and threats are external to the business but relevant to the business such as a new favorable state policy or a challenging competitor. When I asked B Corp leaders to directly critique the B Corp movement, they were hesitant to provide criticism and just provided praise. When I instead asked them to contribute their thoughts as a SWOT of B Corp as a movement, they dug deep to give very thoughtful answers in all four categories, as they would in a business SWOT Analysis.

The interview guide began with about fifteen questions and the interview questions evolved as described above. It was immediately clear to me in the first few interviews which questions resulted in useful answers and which questions did not. After about two or three interviews, I had sufficiently modified the majority of the original questions that had posed a challenge. I also added questions that emerged as useful in the organic process of interviewing. About half way through the interview process I had added the majority of the questions and I only made small changes from that point forward. As a result of evolving the questions in this reflexive process common to CGT, the first interviews asked all participants the same questions from a shorter list of questions. When the question list had grown and stabilized about half way through the interview process, I attempted to ask the majority of questions in the interview guide during subsequent interviews. If time was short, I focused on questions that would extract data for categories that were not yet saturated since saturation of all relevant categories is the ultimate goal of the interview process. All interviews were transcribed throughout the process of interviewing and were eventually entered into the software Nvivo for analysis.

### **3.8 Data Analysis Procedures**

#### Open Coding

The product of CGT is more than simply a re-description of qualitative data, it is theory about processes, categories and their meaning (Gibson and Hartman 2014, 63). Analysis will ultimately focus on individuals and meaning, although 'categories' are ultimately the unit of analysis (Gibson and Hartman 2014, 61). In this research B Corp leaders are the individuals that form meaning, that result in categories that are analyzed to inform theory.

As described earlier, data analysis begins in parallel to data collection by creating and evolving categories and assigning data to them. Coding is the first step of data analysis, as it helps to move away from particular statements to more abstract interpretations of the interview data (Charmaz, 2006). Open coding, also known as line by line coding, refers to the process of taking data and segmenting them into constructed categories (Creswell, 1997, p. 242; Gibson and Hartman 2014, 125). In grounded theory the units of data sorted into categories can be as small as a word, or as lengthy as a comprehensive description. A unit must be heuristic, meaning that it reveals information relevant to the study while also stimulating the reader to think beyond the unit of information (Merriam, 1998, p.180). It also must be the smallest piece of information that still has meaning within the broad context of the inquiry without requiring additional information (Merriam, 1998, p.180). Through the process of analyzing data important issues and themes, known as phenomena, emerge and become an open code, otherwise called a category (Derville Gallicano 2013).

Charmaz (Charmaz, 2000) stated that categories should have abstract power, general reach, analytic direction and precision. Categories should be exhaustive such that all data can be sorted into the categories (Merriam, 1998, p.179). They should also be mutually exclusive so that a unit can fit in only one category (Merriam, 1998, p.179). Category names should provide meaning to an outsider, so they should be specific and descriptive (Merriam, 1998, p.184). And categories should be conceptually congruent, so that categories are reasonably comparable

and not sub-categories of each other (Merriam, 1998, p.179 and p.184). While categories organize the data, they also begin to interpret the data (Merriam, 1998, p.187; Gibson and Hartman 2014, 127). According to Glaser and Strauss, categories are not just labels used to name different incidences, they create conceptualization of key features (Gibson and Hartman 2014, 67).

The properties of the category are the dimensions of the category, prescribing what data fits (Merriam, 1998, p.190; Gibson and Hartman 2014, 68). Properties that define categories may be informed by the data, the focus of the study, the investigator's experience and knowledge, and any method of creating meaning, including perspectives of the participants and the literature (Merriam, 1998, p.179 and p. 182). An example open code/category that emerged in the analysis of this project was *sensitive to value misalignment*. As data was added to the category, two distinct properties emerged when B Corp leaders described their work experience prior to forming a B Corp: *misalignment with client/company values* and *misalignment with colleagues' values*. Sample text is the coded data that is highly representative of the property of the category. For example, the sample text for the property of *misalignment with client's/company's values* included "I was sent to work for a cigarette company, that was the least aligned with my values." Sample text from a transcribed interview for the property *misalignment with colleagues' values* was as follows:

I reported to partners who had their third house and fourth boat and you know were married to their secretaries maybe, but were hanging out with five 20-somethings all night long. And it was work hard, play hard...that kind of stuff...and I enjoyed the travel, so I stayed for four or five years. But it didn't really align with...I didn't really see myself as being them. It isn't what I wanted to do, it seemed very much about the money and not about anything else (Interview #2S).

The data assigned to each category should dimensionalize, or show the variation of data and extreme possibilities along the continuum of each property describing a category (Creswell,

1997, p. 57; Gibson and Hartman 2014, 125). In the example above, the continuum within the property *misalignment with company/client* values would seek to identify the range in strength, intensity or impact – the meaning - of this misalignment for the B Corp leader.

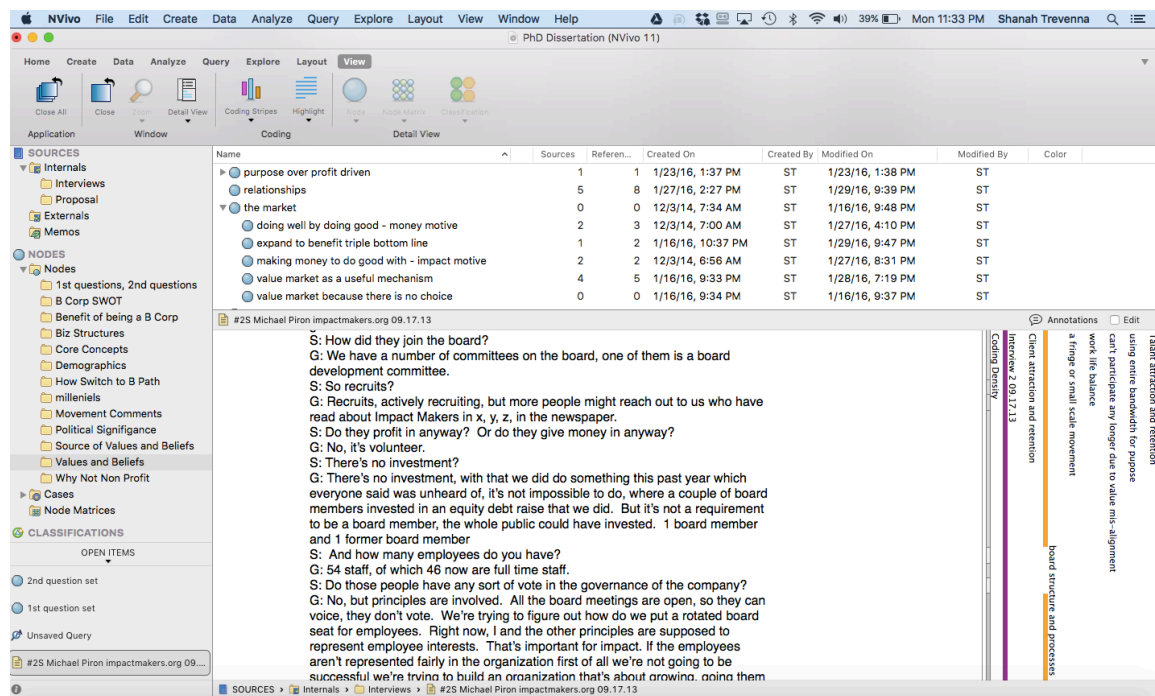
The challenge at this step of analysis is to ensure the category is fully saturated (Creswell, 1997, p. 58). Saturation means that it is increasingly unlikely that collecting more data will help you develop your grounded theory (Gibson and Hartman 2014, 186; Gentles et al. 2015, 1781). In my application of this process I learned that saturation does not mean that a full range of the continuum for each property emerges. Rather, a range that represents the true variance should emerge, which could be quite small or large. In the above example, saturating the category does not mean that an extreme low and high impact of each property with the category of *sensitive to value misalignment*. It means that the theorist is confident that additional information will not provide greater insight that is relevant to the project, even if the variance is small. This can occur when the same few dimensions of the category show up, despite receiving answers from dozens of people from different areas across the country, with varying ages and interests etc. I then learned that saturation can occur at three junctures in the research: when no new data reveals new categories; when each category is richly and densely described and all of its properties have been revealed; and when the relationship between categories are well established and validated by data (Ng and Hase 2008, 162). Through the experience of coding, I learned to ask myself:

- are there any properties missing?
- Is there enough data to reveal the full spectrum of variation in the property?
- Are the insights that emerged relevant to my research questions?
- Can this data be useful in developing relevant theory?

Categories, properties and hypotheses are all refined continually until the major modifications become less and less (Merriam, 1998, p.191). The researcher can recognize final iterations when the modifications mostly focus on clarifying logic, removing irrelevant properties, and when the theory has a smaller set of higher level concepts (Merriam, 1998, p.191). And the researcher should have reduced the number of categories to 5 or 6 that represent major themes of the study (Creswell, 1997, p. 242).

I began this process of analysis using Microsoft Excel, which was familiar and useful, yet painfully slow. Once I had extracted relevant categories and sorted in data from the first few interviews, my engineering training took over and I began researching software packages relevant to grounded theory research that could improve efficiency. I selected NVivo due to its high reviews and its ease in importing transcripts, assigning data, evolving categories, and drawing relationships between categories.

I transferred all of the categories from Microsoft Excel and found NVivo highly efficient at facilitating the tagging of data into categories, and in changing and relating categories throughout the process. I created a folder for each research question, and then created open codes, called nodes, within each folder. Within each node I created properties, known as child nodes in Nvivo. These represented the dimensions within each open code. The folders, nodes, and child nodes acted like three levels of nested folders for sorting the data. Once created, I could transform a child-node into a top-level node with one click. Any child-node or node could be dragged into another folder. In this way I was able to continually organize and reorganize nodes and child nodes, or codes and properties, as is required in CGT analysis. Here is a sample screen shot of Nvivo:



Using Nvivo I found myself being more engaged in the formation of properties for each open code using the visual nested node system. Contemplating the tree diagram of the open code, I observed what properties had shown up within the open code, and attempted to add properties that would represent variation within that open code. For example, when contemplating the open code *valuing being conscious*, the only property that had shown up in the coding of the first four interviews was *valuing being aware*. I considered this to be the most basic form of being conscious and asked myself what would be the most advanced form of being conscious? I added the property *being spiritually connected* and became curious if it would show up in the data. I was also aware that in having created the property, I might have created an unconscious bias within myself that would read into the data and code for *being spiritually connected* inaccurately. I decided to be very conscious of this potentially unconscious bias in over-coding for spiritual consciousness and felt fairly delighted by this exercise in self-awareness that had emerged.

Another way I contributed my perspectives when creating properties occurred when I contemplated long lists of properties that emerged for an open code. I attempted to see if I could identify clusters of properties with similar attributes, and then identify variation in those clusters. For example, the open code *collaboration* had the following properties, which emerged from coding the first three interviews: *collaborate with others like them*, *collaborate to innovate and survive*, *collaborate for workers in developing countries*. I decided to replace these properties with the following, which created dimensions of importance and variation in the dimensions: *collaborate for the benefit of others*, *collaborate for the benefit of self*, *collaborate with like-minded*, *collaborate with non-like-minded*. This resulted in increased organizational meaning when recoding the current data, and proved more useful in coding the remaining interviews.

As another example, for the open code *being different*, the list of properties that emerged included *meandering career paths*, *doing school differently*, *creating unique business models*, *not feeling like they fit in*. I felt the properties could be reorganized to better represent the dimensions that were emerging, and variation in those dimensions. I instead created the properties *different in who they are*, *different in how they do things*, *different in what they do*. All the former properties sorted easily into these new properties, and the new properties represented clearer meaning for the variation emerging in how B Corp leaders believed they are different.

Most importantly, as I created open codes and properties within each folder I held the research question that the folder represented close in my mind. The purpose of the data analysis is to answer the research question and in the beginning of the analysis process it was easy to get lost in the many ways data could be categorized. Ultimately I learned to ask myself continually, “does this open code and the properties within it organize the data such that it



provides meaningful insight into the question being asked?” As I held this framework throughout the open coding process, nodes and child nodes were created, deleted, renamed, and moved to other research question folders until the data sorted into all categories, providing meaningful insight to all the research questions.

### Axial Coding

When categories and open coding are finalized, hypotheses are then created by proposing relationships between the categories (Merriam, 1998, p17). These patterns are then arranged into relationships to form a grounded theory (Merriam, 1998, p17). Axial coding consists of identifying relationships among the open codes by drawing connections between the open codes (Derville Gallicano 2013). It is a tool for constructing grounded theory that is both dense and significantly analytical (Mills, Bonner, and Francis 2006, 6). Charmaz (2006) explains that the aim of axial coding is to re-assemble data that has been broken up during line-by-line coding. For example, the line “I always say I don’t want people to take an ethical discount. I like the free market.” was coded from interview #2S. The line “B Lab and B Corps are about doing business in a different way” was coded from interview #6S. Axial coding aims to propose a relationship between these lines, such as B Corp leaders don’t want to abandon traditional structures such as business and the free market, but they want to do it differently.

### Developing Theory from Coding

To develop theory from the data analysis, units of information are continually compared within and between sets until a theory emerges (Merriam, 1998, p.159). This level of analysis involves theorizing explanations for the clusters of data that informs future activity around the research question (Merriam, 1998, p.188). Glaser describes theoretical sorting as the stage in grounded theory associated with the writing-up phase (Gibson and Hartman 2014, 186). The process begins by making inferences and conceptualizing models from the empirical data

(Merriam, 1998, p.187). The researcher must move beyond linear, cause and effect quantitative analysis, and enter the realm of speculative, interconnected, contextual thinking (Merriam, 1998, p.188). The theory should be closely related to the phenomenon being studied (Creswell, 1997, p. 56 and 58). The primary focus of sorting is to enable the full integration of the theory around the core category (Gibson and Hartman 2014, 198). When sorting categories for a PhD thesis, the researcher can ask the following questions:

1. What does this category for dimension of a category add to the field of research?
2. Why have a choice in this category?
3. How did it develop to my data?
4. Why was this category justified?
5. What are the implications for practice?
6. What are the formal implications of this theory?
7. How does this theory relate to a public understanding of the subject area? Is it related to public controversy for not?
8. Does the theory into some questions that are not directly obvious? (Gibson and Hartman 2014, 193)

Theory becomes most useful when it is concise and applicable to a wide range of situations relevant to the research topic (Merriam, 1998, p.191; Mills, Bonner, and Francis 2006, 8). Its generalizations should be logical and well supported and be useful in explaining dynamics that are relevant to the substantive area where it will be applied (Merriam, 1998, p.191 and 192). The final theory can be articulated as a narrative statement, visual picture, logic diagram or a series of hypotheses or propositions (Creswell, 1997, p. 56 and 86). Charmaz (2000) strongly advocates that the writing style of those summarizing CGT should be more literary than scientific in intent. While there is significant analysis in the process, the writing

needs to be evocative of the experience of the participants (Mills, Bonner, and Francis 2006, 7). The theory needs to resolve the tension that exists between developing a conceptual analysis of participants' stories and still creating a sense of their presence in the final text (Mills, Bonner, and Francis 2006, 7).

#### Developing Theory from Content Analysis and the Literature Review

Grounded theory methodologies differ in the timing of performing a literature review in the process. The seminal work by Glaser and Strauss (1967) emphasizes that the literature review should be performed after the data collection so it will not influence the researcher with preconceived ideas. Since I acknowledge that there are always preconceived ideas, this project has rather followed the methodology of CGT introduced by Charmaz (2006) where a review of the literature prior to data collection helps the researcher orient themselves within the field of study and identify broad research gaps.

CGT aims to generate categories, relate them, and then critically evaluate them in the light of the relevant literature on the subject (Gibson and Hartman 2014, 61). For example, following data collection and analysis, the literature review in CGT is valuable in discovering if the categories in the theory reinforce categories in the literature or identify gaps in the literature (Gibson and Hartman 2014, 207). This is particularly useful around core concepts of the Blue Economy. In addition to using the analysis described above, word recognition software within Nvivo was used to analyze the repeatability of terms and concepts in the transcripts. These were then compared to core concepts that emerged in the literature review as described in Chapter 4.

It is important to be surprised in this method. The process should reveal surprises that expand your notions of the landscape of the research topic. For example, in this research I experienced the emergence of a number of unexpected categories, such as the desire B Corp

leaders expressed for their competition to also be B Corps. They hoped that their TBL business models would be seen as successful by others in their industry and region and hoped that they would be replicated. I couldn't immediately understand how this made sense so I asked, "If you have the same social and environmental practices, how can you leverage those to differentiate yourself in the market?" Their response was that they did not want to compete on social and environmental practices, they wanted those to be standard business practices. They would rather compete on the value of their products and services. Another surprise was that many leaders were still driven by money and reverence for the market. As I had created a TBL business motivated by mission alone, I was surprised to learn that most B Corp leaders had begun their professional trajectory in main stream business and then found a way to integrate their TBL values into their business models. Throughout the analysis I state where I was surprised or was interested to learn something entirely new.

#### Developing Theory Using Connolly's Model of the Resonance Machine

In addition to the methods described above, this project will use a specialized model called a "resonance machine" to develop theory around B Corp. In his book *Capitalism and Christianity, American Style*, political theorist William Connolly describes the *evangelical-capitalist resonance machine* comprised of evangelical Christians, cowboy capitalists, and right-wing media (Connolly 2008). Rather than understanding these players as entirely mutually exclusive entities acting on each other, he uses the concept of resonance as an analytical tool to understand their natures and the resulting multifaceted complexity of the interactions that magnify their collective power. Connolly insists that the concept of resonance in a resonance machine is not simply a metaphor but is actually a real force with real processes creating real outcomes (Connolly 2008, 42). Above all, Connolly emphasizes that the importance of a resonance machine is that its power is greater than that of the sum of its parts (Connolly 2008,

xii,114,116). This section will summarize the useful analytic components of Connolly's approach to exploring the intersections of capitalism, Christianity, and right-wing media and synthesize them into a framework for assessing B Corps as an organizational model and as a movement. It will ultimately reveal that the players and interaction between them, both within and surrounding the movement, are not obvious and do not interact as a superficial attempt at understanding through cause and effect would expect, providing a powerful analytical tool for this project.

To begin a discussion about the nature of resonance, Connolly stresses that there is an important distinction between spirituality and creed and a partial separation between creed and ethos that must be understood (Connolly 2008, 8). Creed constitutes beliefs (Connolly 2008, 16) and is a statement of shared beliefs of a religious community. Existential creed represents a committed view of the world that is often more powerful than the arguments and evidence advanced on its behalf (Connolly 2008, 69, 77). Connolly consider spirituality something that we individually cultivate such that many considering themselves of the same creed might consider themselves having different spirituality and such that our sense of spirituality can change and evolve over time through our experiences (Connolly 2008, 7, 77). So while creed may remain the same, it can become infused with new dimensions of spirituality (Connolly 2008, 128). An ethos is a shared spirituality, not a shared creed. Since spirituality is more fluid and diverse in a group than is its creed, an ethos of engagement sets the disposition of a constituency, informing the shape and tone of its relations with others (Connolly 2008, 2). Connolly argues that every institutional practice, including capitalism and every political economy, and arguably B Corp, always has an ethos embedded in it (Connolly 2008, xiii, 2). For example, the ethos of capitalist practices include investment, work, consumption, and state action (Connolly 2008, xi). Interviews with B Corp leaders that provide data about their

personally cultivated beliefs, including how they and their businesses interact in many ways with the world, will be a valuable method to understanding the ethos of engagement of the B Corp movement.

Reverberation is another important amplifying force of the evangelical-capitalist resonance machine. This occurs when resonance passes back-and-forth between the elements within the machine, furthering their impact. For example, the notion of Divine Providence that inhabit theories of self-sufficient markets is an example of an ideology that resonates with both evangelical Christians and cowboy capitalists leading to reverberation back and forth between them (Connolly 2008, xiv, 47, 140). Divine Providence refers to God's intervention in the world. Connolly describes the notion held by some that capitalist creativity is the one and only site in the mundane world that legitimately copies the creativity of God (Connolly 2008, 31). This, of course, resonates with the economic theories that implicitly link the market to providence, treating interference with it as self-defeating because of its self-equilibrating powers (Connolly 2008, 139). The reverberation, where each party gains power by promoting the resonance, passes back-and-forth furthering the impact. This is the key to the power of the machine that becomes greater than the sum of its parts.

To attempt to analyze a resonance machine one must explore the concept of the problematic, axiomatic, and the assemblage. A problematic is the interweaving of method, problems, ethos, and findings that is capable of engaging complex pattern of becoming (Connolly 2008, xii, xiii). There is usually an existential Creed attached to it so we often develop loyalties to problematics (Connolly 2008, 77). For example, actors in the evangelical-capital resonance machine have an existential orientation that encourages them to transfigure interest into greed, greed into anti-market ideology, anti-market ideology into market manipulation (Connolly 2008, 43). To change to a new problematic is akin to the conversion process of

changing identity (Connolly 2008, 77). This is the challenge of the problematic. An axiomatic is a set of institutional knots with dense tangles and loose ends, which contains elements that are more than random but not exactly structurally determined (Connolly 2008, 10). For example the capitalist axiomatic elements includes the priority of private profit, wealth, and commodities treated as consumption goods, (Connolly 2008, 10, 23). An assemblage consists of the ways that state policies, educational institutions, media practices, church tendencies, class experiences, and scientific practices relate to and influence the axiomatic (Connolly 2008, 11). Much as institutions would collapse if the ethos was removed, the axiomatic would collapse if these practices were removed from it (Connolly 2008, 11). In turn, the axiomatic gives these practices purpose. While an axiomatic resists formal analysis, exploring the relation between the elements within an axiomatic and between the assemblage and the axiomatic serves to provide some insight into the complexity of its problematic that includes many forms of interrelations and modes of interactions (Connolly 2008, 23, 11). Engaging in an assemblage to understand it includes interpreting current operations and visualizing new possibilities, experiments that stretch established limits, and interventions that affect its knots and flows (Connolly 2008, 12). Thus assessing a resonance machine begins with a critique of established priorities, and continues with an image of a possible interim future that might be disturbed by surprising events, but is still close enough to think about the possible details (Connolly 2008, xiii). The interviews with B Corp leaders will serve to fill in the high-level view of the axiomatic, which includes the elements of conscientious consumers, triple-bottom line businesses, and mission-aligned investors engaging through an ethos of creating benefit and attracting, including, and championing workers, communities, peer-businesses, society, and the environment.

Using the power of this theoretical model, Connolly describes a counter resonance machine of the Democratic left that he calls the *Eco-Egalitarian* machine (Connolly 2008, xiii, 15). By inviting both liberal secularism and some traditional notions of solidarity on the left into spiritual life, economic practices, and state politics a necessary new political assemblage can be created with the goal of placing egalitarianism and ecological integrity onto the political agenda (Connolly 2008, xi). This counter political movement must unite criticism of specific economic priorities with a strong active attachment to the world which includes mortality, human diversity, and which sets severe limitations upon human agency (Connolly 2008, xii). The analysis in this project holds up the emergent theory around B Corp to Connolly's Eco-Egalitarian machine, diving deeper into the attributes he assigns it and identifying similarities and differences to the B Corp movement.

### 3.9 Assumptions

Many assumptions stem from my insider role as a B Corp leader. Knowing the rigorous nature of the B Corp certification process, I assumed that the business leaders I would interview would be 'top of their class' in some way. From this I assumed that they would be honest in their answers, as well as intelligent and insightful. Since they are business savvy I assumed they would understand what is needed to make the business of the B Corp movement successful, including identifying all weaknesses and potential threats. Since they have been willing to put in so much work into joining the B Corp community, I assumed they would volunteer their time to participate in B Corp related research.

The questions in the B Corp certification correspond to values such as respect, collaboration, fairness etc. I assumed that the leaders I interviewed would share at least some of these values. Knowing that all people are different and that professional certifications do not



always line up with personal values, I also assumed that the results of the research would involve identifying and perhaps categorizing these discrepancies.

After the interviewing process was complete, I assumed that I had received thorough responses from participants, even in critiquing themselves and the movement. I assumed they attempted to answer each question as a stand-alone experience and not with strategic thoughts of what would benefit them, their business, B Corp or B Lab.

### 3.10 Limitations

The interviews for this project occurred over a year, which was longer than I anticipated. Due to various personal challenges including the death of my sibling and undergoing a major back surgery, the analysis occurred over another year. I had originally intended to quickly complete all interviews and then analyze the data immediately so that the results would be timely and relevant. I also have a tendency to impose a timeline on a project that is not necessarily as urgent as I might think. I considered that many of the useful books that I referenced contained insights from data analyzed many years ago. As 2016 began, I asked myself if my insights from this data would currently answer my research questions and be relevant to the B Corp movement as it stands today. I reflected on the trajectory of the B Corp movement to determine how much of a limitation this extended research process had impacted the relevance of the results.

At the time of the first interviews major milestones for the movement had been accomplished, such as exceeding 700 B Corp certified companies and passing B Corp related legislation in 22 states including Delaware where the majority of large businesses are registered. I began to see that the year-long span of my interview process was beneficial. In that year the number of certified B Corps grew from 700 to 1100. As of January 2016, there

were approximately 1500 B Corps and in November 2016, there are nearly 2000 B Corps. When the interview process began there were 22 states with legislation, and now there are 31. In both means of measurement there has been continued growth, but not exponential growth, since the data was collected. And B Corp is still not a mainstream concept. Therefore, I believe the data reflects a phase that is beyond the startup phase, but not over a threshold of wild success. I believe the data reflects the growth or traction phase of the B Corp movement.

It is perhaps worth mentioning as well that during the year of data analysis I founded and directed a collaborative work, education, and event space focused on the intersection of sustainability and business called the ProtoHUB. Since it impeded the time that I could dedicate to analysis, I viewed my involvement as a limitation. Yet the ProtoHUB also immersed me amongst business leaders who had similar characteristics to B Corp leaders. As my knowledge and experience of the field increased, so did my insight in the reflexive process that allowed me to evolve categories and properties as described above. Now rather than seeing the ProtoHUB as a hindrance or limitation, I see the incredible benefit it provided to me in experientially helping me mature my knowledge and curiosity in a real world setting.

### 3.11 Chapter Summary

Chapter 3 describes how Charmaz's Constructivist Grounded Theory, Connolly's resonance machine, and Feldmann's modern movement framework will be used as methods to develop theory from the interview data. The theory will aim to summarize valuable insights regarding triple-bottom-line business leaders, triple-bottom-line business structures, visions for a Blue Economy, and the current and potential role of B Corp in creating a Blue Economy. The next Chapter will apply these methods and frameworks to answer the guiding research

questions outlined in this chapter. Ultimately, these insights will be used to design potential future scenarios for a triple-bottom-line economy in Chapter 5.

## CHAPTER 4. THE LANDSCAPE OF THE NEW ECONOMY

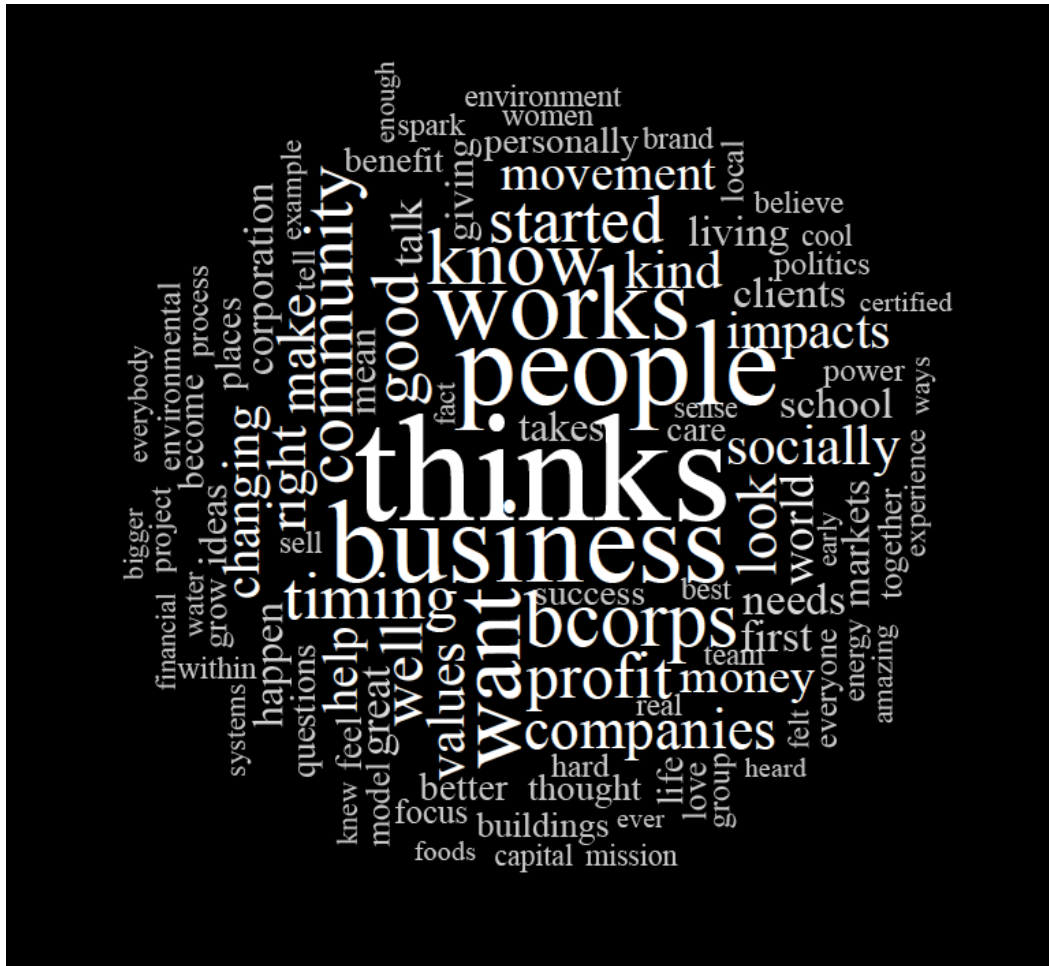
### 4.1 Chapter 4 Introduction

This chapter is divided into three parts. The first summarizes the findings from the qualitative research beginning with a summary of the common themes and core concepts, which emerged from a content analysis and coding and axial coding of the transcribed interviews. These are then compared and contrasted with the framework for the Blue Economy that emerged from the literature review. The second section summarizes the common values, ideas and beliefs that emerged from interviews with B Corp leaders including a summary of how these companies created structures to operationalize these philosophies. Four common paths emerged throughout the interviews, representing trajectories of individuals into triple-bottom-line companies and ultimately the B Corp movement. Interestingly, only one path with distinct phase characteristics was repeatedly reported in the journey from a startup to a successful B Corp. The attributes of these five paths, along with their significance for the B Corp movement, are then discussed. The final section explores the leaders' insights into the movement itself, including their ideas on whether it is an actual movement or not, as well as their responses to the SWOT (Strengths, Weaknesses, Opportunities and Threats) framework used to extract their understanding of the strengths and challenges within the movement. This section then assesses the B Corp movement using a current framework for assessing social movements, as well as by contrasting it to other movements against corporate capitalism such as the Global Justice Movement, Activists Beyond Borders, and the World Social Forum. The chapter concludes with ideas around the B Corp's potential political significance as described by its members.

## SECTION I: GOALS, CORE CONCEPTS, VALUES, IDEAS, AND BELIEFS OF B CORP LEADERS

### 4.2 Goals and Core Concepts for the Blue Economy

In Chapter 2 a comprehensive literature review revealed common goals and core concepts of the Blue Economy as articulated by many diverse authors and thought leaders. This section aims to discover if B Corp leaders share the same goals and core concepts as those found in the literature in their understanding and vision for a Blue Economy. Using the software package Nvivo, a text frequency analysis was performed of all of the text of the transcribed interviews with B Corp leaders for a simple, high level sweep of word frequency to see if any meaning emerged. Different iterations of the analysis using a minimum of two, three or four letter words were explored and the analysis using a minimum of four letter words was selected since it produced the most meaningful words. Filler words such as *then* or *what* were also removed from the word frequency. Similar words were also clustered so that, for example, *thinks*, *thinking*, and *think* would all appear as just the most commonly occurring of the cluster. The resulting word cloud depicts the frequency of common words and phrases, with the size of the letters reflecting the relative frequency of the word cluster:



Interestingly the words *think*, *thinking*, and *thinks* were clustered together in the word frequency count and show up in the word cloud as the most frequently spoken notion: *thinks*. The words *thinks/thinking/think* had 931 occurrences, while the next most frequently used word, *people*, had 692 occurrences. To discover the meaning behind the use of these words, I looked for the context in many sentences where interviewees used *thinks/thinking/think*. I found that approximately 40% of the sentences relate to the description of a vision beyond status quo thinking including new visions for decision-making, revamping business, growing the B Corp

movement and imbuing the economy with values. Here are some sample sentences with this meaning:

I began thinking that this is a business model that I can work in my industry (Interview #7S).

I'm thinking that to me this is the new and improved method, to take the company and expand their brand breadth, their brand resonance for what they truly stand for (Interview #27).

I think the new economy is already characterized, but I think even more so in the future, characterized by collaboration as opposed to competition (Interview #6S).

Another approximately 35% of the sentences containing *thinks/thinking/think* relate to

critical reflections on past or current experiences. These sentences reveal the understandings entrepreneurs have about their jobs, their industries, the state of the world, B Corp, or the economy. Here are some sample sentences with this meaning:

I think the manner in which we measure economic activity is dated (Interview #31).

I think that I just really wanted to make sure that I did things that mattered (Interview #5S).

I think that was one of the things...realizing how many plastic bags we took out of the environment by putting out reusable shopping bags (Interview #20).

I think we have to admit as a group that capitalism is nothing more than an optimization mechanism (Interview #12S).

Thinks is the act of thinking. The word *thinking* is defined in the Oxford American College Dictionary as “using thought or rational judgment; intelligent; or the process of using one's mind to consider or reason about something.” Synonyms listed include intelligent, sensible, reasonable, and rational. What I find most interesting about this outcome is that the free market economy is positioned as acting mechanically by mechanistic laws such as supply and demand and efficient equilibrium as described in Chapter 3. Much of economic theory is deterministic and doesn't leave much room for people to add their own reason and intelligence. Yet the interviews show that the notions around *thinking* are related to deeper understanding of the complexity of decisions and impacts, betterment for society, caring for the environment, giving back, doing good, human fulfillment etc. It lends itself to the notion of being thoughtful. That

market players may imbue the market with thinking, intelligence, reason, and judgment, not to control, but as shown by the examples above, to bring reflection related to values and community benefit truly challenges neoclassical assumptions about the *economic man* that operates only in self-interest. One B Corp leader best describes the infusion of thoughtfulness into business as follows:

(We are) creating norms around sustainable practices in business, whether it's a product business or a service business. I think it's creating better conditions for workers, reducing our impact on our environment, becoming more aware that we do have this impact on the environment and that we have a responsibility. Not just a responsibility but an opportunity of creating better businesses as a result of becoming more responsible, more thoughtful (Interview #24).

In the following sections I will discuss the key findings in the interviews relevant to the research questions listed in Chapter 3. I will circle back to the word frequency cloud to tie in the importance of thinking and all it encompasses, as well as other frequently mentioned words.

#### 4.3 Values, Ideas and Beliefs of B Corp Leaders

This section explores the values, ideas and beliefs driving the processes, power relations, and structures of B Corp businesses striving for the Blue Economy. The values, ideas, and beliefs are axially coded according to both word and theme frequency. The axial coding diagram created for this section begins with the three main words in red that were most frequently stated. Other frequently occurring words are drawn in relation to these three paramount themes in orange, and the nodes that emerged during coding with Nvivo are clustered in blue. This axial coding diagram depicts clusters of meaning for the themes that emerged and provides structure for the summary of values, beliefs and ideas that emerged from the data.





Charmaz (2000) strongly advocates that the writing style of those summarizing Cognitive Grounded Theory (CGT) as described in Chapter 3 should be more literary than scientific in intent so rather than follow a quantitative discussion path guided by frequency or quantity of data for each theme, this section will move clockwise through the clustered themes in the axial coding diagram. While there is significant analysis in the process of CGT, the writing needs to be evocative of the experience of the participants (Mills, Bonner, and Francis 2006, 7), so the relevant transcribed text will be included more frequently than other qualitative methods to portray the experience of the participant relevant to the research questions. The greater use of quoted text also reflects the style of the business world where business writing is characterized by quotes and statements directly from the mouths of key business leaders rather than

paraphrased. Once the key themes that emerged are thoroughly discussed, this section will conclude with a comparison with the themes on the Blue Economy that emerged from the literature review.

### ***Making Impact, Being Revolutionary***

The end goal for some B Corp leaders is a world where B Corp is not needed as a certification because “it will be pervasive. You won't (need) to sit in a room talking about the revolution of business, it will simply be business (Interview #13S).” It was stated that success to them would be going out of business because the problem they are trying to solve is no longer a problem. A sustainable textile CEO describes how he hopes this value plays out for the Blue Economy:

Success would look like...this is the kind of the base line for how we do business. This is not the exception to how we do business, this is how you have to do business period. It becomes a game changer in so many things like what our communities look like and what society looks like. I think that it will become a tipping point somewhere...if you're not a B Corporation then you will be at a competitive disadvantage (Interview #21). Ultimately B Corp leaders want their efforts to revolutionize how business is done.

### **Influencing Their Industry and Regional Sectors**

One of the ways B Corps want to revolutionize business is by creating a ripple effect in their industry and/or region as they lead by example and demonstrate that the success of a triple-bottom-line business is viable in their sector. A CEO of an I.T. management firm describes the differences between his company and his experience of a status quo I.T. firm, and advocates for a shift in his industry:

So you can be in (the) management I.T. and consulting field and quite frankly it's known for a lavish lifestyle...lots of money floating around, not always doing the right thing, shortcutting things, doing a project and getting out, going to a different client. (I created my company) to show that you could do that model in the proper way and for others to build on that momentum. So we were fortunate to have some press about six months in, in the local business paper and we said we don't want to be special in the next five years. We said that if we're the only B Corp in (our city) in the next five years, we failed.

So we want more companies like us. We would love if there were five more consulting companies like us in (our city) all doing the same thing, because the impact that would have is enormous (Interview #7Sa).

I heard this advocacy for an increased number of B Corps in the same region and industry space repeatedly. It was such a surprising result given that businesses within the same industry traditionally strategize to beat out and reduce competition, not hope for more similar companies in the same place doing the same thing. Yet in interview after interview B Corp leaders said they wanted to influence others to create more B Corps in their space. When I asked if having other B Corps in their niche made them concerned for their business, some said they would rather compete on anything else other than B Corp values, stating that they didn't want to compete on achieving benefits for society and the environment, but rather on other things like customer service and product value. Some said that with more B Corps in their close network they would have more collaborators and others said that there were so many unique niches to fill within their regional industry sector that there was plenty of market share for everyone. The market seemed to evolve from being a limited pie of opportunity to slice and dice amongst the market players, to an infinite field of problems to solve and things to make better for people and the planet. This multi-faceted interest in influencing the industry to create more B Corps, not just in general, but in very close proximity in space and niche was a top characteristic of B Corp leaders.

B Lab and the B Corp community calls these influences for change *ripples*, as described by this impact investor:

I wanted to be the ripple. I wanted to do this and create something and start locally and I thought that if we could prove our social impact model, we're giving away a certain percentage, or giving away profits to charity within this social services base we'd maybe become a competitive advantage with some of the local regional players having to start doing the same thing (Interview #2S).

A B Corp founding team describes how they were working unhappily in their industry and were affected by a ripple that felt so impactful, they formed their own B Corp:

So we ended up coming across Impact Makers, which is one of the early B Corps out of Virginia. They're a management and IT consulting company. Literally did a Google search one day...into what a B Corp was and it was within days that we were doing it. So we quit our jobs. The first (B Corp) retreat that we went to in Philadelphia we saw their name badge (and) walked up to them at the retreat and said: "We modeled our business after you guys." They've been great ever since. We kept in touch with them and they offered us a lot of advice and guidance throughout the months (Interview #7Sb).

Interviewees emphasized that one of the most important industries that they believe needs to change is the world of finance. Given that some B Corp leaders were former successes on Wall Street they are especially positioned to provide insight into the transformative changes needed in the finance sector, as summarized by this former Wall Street banker:

The finance industry is very self-aggrandizing, we think we're very important. We add basically very little value to the system. What do we actually do? What does the average investment banker do for his \$50 million take? We have created an industry that's really out of control. We don't need it. It provides negative value. We pay way too much for it. It's an alternate universe these guys live in and they've convinced all of us that it is important. And that's the tragedy. They convinced all of us that five banks in the world are really critical. They don't know how to run a business. They're financial advisors. They look at screens and they make investment decisions based on how many stars there are from Morningstar. I mean, I don't want to blankly trash everyone, but as a class we don't know almost anything about running businesses (Interview #3S).

B Corp leaders mentioned that the finance sector is out of control and that B Corp has an opportunity to demonstrate another path forward with impact investing, which will be discussed in Section 4.4, along with a critique of the Morningstar system for investors mentioned above.

#### Measuring Up to Mainstream Metrics

B Corp leaders characterize the challenges of their industry, sector or region and claim that success would be disrupting the status quo and introducing innovative new models that work so well, everyone wants to do it. One of the ways to prove their ripple is worth trying is for

their B Corp to perform well at mainstream metrics. By traditional market standards this means making money and winning market share. A CEO of an office supply company that gives all its profits to community organizations selected democratically by their clients shared that after Staples and the Office Depot, they are the largest office supply company in the western United States (Interview #9). The co-Founder of an I.T. and management-consulting firm best summarizes the value around mainstream success: “I think that the biggest major success to us is to prove that you can run a business this way and be profitable (Interview # 7Sb).”

#### Involvement with Industry Organizations

Another way sectors can be disrupted and evolved is through involvement with industry organizations. Some B Corp leaders are highly recognized thought leaders who create or participate in industry review Boards, certification Boards, quality control and standard creation processes, etc. For example, a B Corp renewable energy CEO helped set up the renewable energy standard for the LEED certification (Interview #42). A jeweler who uses only responsibly sourced material describes the value of his involvement in his industry’s council:

I sit as a Director for the Responsible Jewelry Council and focus on standard. It’s not another industry blow hard project or feel good fluff. I think it’s an important organization and I chose to focus on that, rather than on grass roots stuff and there’s a couple reasons for that. The grass roots stuff is rooted sometimes more in dogma than business principles and that’s unfortunate but true. Being a business I’m accepted by business so I can speak to other businesses at a level of the Responsible Jewelry Council. (This is important) because I think that’s the scale that it needs to happen (Interview #1S).

Living up to mainstream metrics is also important so the company can play in mainstream arenas. A renewable energy company CEO describes how he realized he needed to have a business plan that would satisfy traditional investors in order to operate at the scale required to disrupt the energy market dominated by oil and coal:

We talked about the triple-bottom-line (TBL) with some investors, but not all of them...only the investors that cared. Of the banks, angel investors, venture capitalists,

and private equity firms we talked with, it was just a handful of angel investors that actually care about your business being a triple-bottom-line business. There is a small universe of venture funds that focus only on investing in TBL businesses, but you still need to satisfy traditional investors to work at the scale we wanted to work at (Interview #42).

Ultimately, given the above description of B Corp leaders' desires to influence their industries and create ripples, B Corp leaders want to influence great change in the bigger picture. They want a sphere of influence and accomplish this by creating or contributing to sector governing and advising bodies, proving their viability by measuring up to main stream metrics like being profitable and winning market share, serving as a proof of concept and a model, and mentoring and helping others who want to follow in their footsteps. And these aren't just the values of some of the leaders, they are baked into the structure of all B Corps since the certification process requires companies to amend their governing corporate documents to incorporate language stating:

In determining what is in the best interests of the Company and its members, a managing member shall give due consideration to the effect of the Company's operations on the economy of the state, the region and the nation (B Lab 2014c).

This legal commitment institutionalizes the behavior of B Corp leaders to act in consideration of the bigger picture.

This greatly differs from neoclassical economics, which assumes that market players act for their own self-interest, which is expressed primarily through the quest for financial gain (D. C. Korten 2001, 76; Schor 2010, 169). In the case of B Corp, financial gain is leveraged not just for personal gain, but for sector transformation. This is the invisible hand that Smith so eloquently described...an invisible mechanism that creates efficient, optimized outcomes for society through the natural operation of the market, where as market players succeed, society benefits. What Smith had wrong was his assumption that a market with the single bottom line of money as its prime metric and players acting only in their financial self-interest could accomplish

such beneficial societal outcomes. A market comprised of companies legally committed to measuring and achieving financial, societal and environmental benefits is closer to operating as an invisible hand of the market as Smith had envisioned it.

### Innovation

B Corp leaders stated that simply tweaking the status quo of business operations is not enough and instead called for innovation. They advocate for disruption of status quo trajectories, out of the box thinking, and radical innovation as demonstrated by this B Corp: “Our proposal is if that if you really want to be innovative, if you really want to create something new you should avoid the common sense. Because if you apply the common sense what you will get is a common result (Interview #8).” The spirit of innovation in the B Corp culture is best captured by this CEO’s statement:

Today, they take (earlier innovations) for granted. You see Arthur Schopenhauer has a great quote that...says: Truth travels through 3 stages. First, it's ridiculed. Then it's violently opposed. Then it becomes accepted as being self-evident (Interview #31).

A sub-theme around innovation is the leaders’ belief that business is best positioned to solve societal and environmental challenges through innovation: “It’s the business people...that are all working really hard to create innovative cultures in which human capital is valued, and that’s more mindful and willing to make innovative products (Interview #3).” Another consultant for social change described how business over being a non-profit results in greater innovation:

When your balance sheet has to work out, when you've got employees and their jobs and you're thinking about your viability and you're competing in a market place, it forces innovation, it forces change, it forces you in a way to, as the entrepreneur, to just get it done. I know some of my clients that are non-profits, they pay us because someone has given them a grant to do it. Okay it's good, I'll take it....but the client that pays for us with their operating budget I will tell you: it is a different project. They are writing a check to my firm for my time and my value (#17S).

Not only do B Corp leaders think business is best structured to innovate for change, they believe it’s business’ responsibility and agency to do so, as described by this B Corp CEO: “we

need business...business is how we got into this pickle and business is how we're going to get out of it (Interview #32)."

### Addressing Climate Change

Addressing climate change as the main purpose for innovation was mentioned by interviewees. A renewable energy company CEO describes how his concern for reducing brown energy drove the creation of the company:

If we don't want to be totally addicted to fossil fuels, which is killing our planet and can definitely destroy our economy, and realizing that all these things are running out and will only go up in price. If we don't put policy in place for renewables to grow more quickly, we'll just pay \$200 per barrel and it will cripple our economy. There is no solution anywhere in the world to getting off fossil fuels, protecting the environment from the pollution we're putting out, and creating global prosperity that doesn't include renewable energy (Interview #42).

Other B Corp leaders speak about climate change similarly to how the U.S. government views climate change not only as environmentally damaging, but as a risk to national security. These B Corp leaders want change due to the storms and uncertainty climate change presents to business: "Our office is in the financial district. Sandy cost \$60 billion and we didn't have an office for 3 months. I mean, hello! I mean it's going to take incredible new ways of thinking (Interview #3S)." Business leaders also speak of the political unrest and military action around securing oil and have formed their company to use as little energy as possible:

It's like Fred Smith the head of FedEx said. He's a former marine who founded FedEx: "I don't know how to send another kid to die for oil." So we're going to make all of our vans electric. We're going to put all of the road trucks on bio and natural gas and we're going to figure out with Branson how to fly planes on algae (Interview #3S).

Even the finance world is waking up to the importance of changing their industry to address climate change, both because it's the right thing to do, and because it is wise by traditional investment considerations:

(some companies) got together to write about fossil fuel investing. Have you heard about 350.org and Bill McKibbin and that whole thing around fossil free investing? So a year ago that issue wasn't really on our radar. Now, it's kind of almost top of mind for our clients. We've had 40-45 clients in the past few months who have said I want you to



reconfigure my portfolio so that I'm not invested in those 200 companies identified by the carbon tracker that have all this, you know, proven reserves in the ground, which they can't burn anyway. So the value of those companies, which to a large part is based on the value of the stuff in the ground, isn't really that valuable. So we've had clients and advisors who have come to us and said: "change the way you're managing this portfolio." There's stranded assets there and we don't want to take the risk that those assets will not be able to be dug up and burnt. We're betting that the world is not going to allow that to happen because it's going to create an unlivable world anyway if it does. So as investors we look at that and say the moral thing to do is not to burn that stuff. The right thing to do as an investor is to recognize that the value of the companies is not as high as it appears to be, because the valuation is based so much on those proven reserves, right? If the company can't ever use them, then the stock price isn't really what it is. So, there's the morally just thing to do and then there's the risk standpoint, and both of those things come together in this particular situation (Interview #6S).

As described in Chapter 2, authors such as Bill McKibben, Naomi Klein, Hunter Lovins and Boyd Cohen also hone in on the greenhouse gases created by the brown economy that are causing climate change as the core challenge of an economy that does not function within ecological limits (McKibben 2007, 228; Lovins and Cohen 2011, 176; Klein 2014). Naomi Klein's book *This Changes Everything-Climate vs. Capitalism* devotes the entire third section to the notion of *Blockadia* describing how indigenous and other communities around the world are standing up to avoid extractivism and the social exploitation that accompanies the irresponsible taking of natural resources (Klein 2014). By these authors' opinions, the efforts by B Corp leaders to disrupt their industries to reduce greenhouse gases and to address climate change could be the most important impact business can make. B Corp leaders volunteered their thoughts on the role of business in addressing climate change as described by this B Corp business consultant:

For the last decade I've been hearing people asking about when we will get climate change legislation. (We used to think it would happen) when the US implements Kyoto. Now Kyoto is too late, we're going to have to do a new one. We're going to do a new one, no we're not, we're going to do cap and trade, no we're not. I think we are waiting for something to happen at the legislative or the regulatory level and it's just not happening. But in the gap businesses have stepped forward. You have Microsoft doing internal carbon pricing, you have Google and Apple testifying on the Hill saying we're

ready, we need this, it reduces uncertainty for us, tax us god damn it. When you look at who is really making the change happen on the ground, not talking about it, not making great speeches, but actually doing things, I think that it is business (Interview #30).

### ***Common Core Values***

A Millennial B Corp leader eloquently summarizes the importance of values for the Blue Economy:

I'm not saying that money is not important, my understanding is that in the last hundred years what has happened is that money took a back seat to values. So there's a ton of people making choices about money over their values, and that's how we got to businesses making decisions about people. And then people who have families and aren't trying to wreck the planet have gone and wrecked the planet, largely because they let the money guide their values. So somehow reasserting values as a core fundamental thing to the economy is essential...and it's helped along by business models that make tradeoffs less (Interview #13S).

The following core values include the values expressed by B Corp leaders in the interviews.

#### **Integrity**

The value of integrity shows up in the interviews as alignment of action with values, which could also be viewed as not having, or not participating with those who have, exploitive business models. A branding company described its guiding principle of integrity as: "How you do anything is how you do everything (Interview #34)." This best summarizes the value of integrity as meaning the alignment of action with values.

Alignment of action with values was expressed as ensuring that clients had values that were aligned with the mission of the company. Another way that alignment of values with action showed up was in business processes, as demonstrated by a jewelry maker who described the importance of aligning the intent of his artistic creation with the method of sourcing of the materials with which it was made:

I've made a ring, it's a symbol of somebody's love and affection. They buy it as symbol of such, and it's part of a ritual that's celebrating this union, and yet it's made by materials that are tainted by child labor. It was an inconsistent narrative for me. That just

became something that deeply bothered me. It was inconsistent with why I got into this (Interview #1S).

B Corp companies also describe integrity in terms of being associated with only mission-aligned companies. For example, a magazine that reports on people and efforts aimed at doing good in the world described how the integrity of their story subjects was paramount to their business model:

Increasingly 4-5 years ago companies started coming to us wanting to be part of this conversation, and we wanted to engage with these people. The Founders of (our magazine) were basically like, well, you have to be doing good things. What are you doing. Because, if you're not doing anything good, you're not going to have any credibility or any integrity in this conversation and this community is going to distrust us and they're going to distrust you (Interview #4S).

B Corp is built upon the need and commitment of companies to act in integrity. Every B Corp leader must sign the B Lab Declaration of Interdependence, which states that “Through their products, practices, and profits, businesses should aspire to do no harm and benefit all (B Lab 2014a).” By the diverse ways B Corps align their actions with their values, B Corp leaders prioritize integrity.

#### Transparency and Accountability

A B Corp financial advisor best describes the value of transparency, and how it is closely linked to accountability:

For me it's about transparency and accountability. There is so little of it in business and there was so little of it from where I came from. It's important and I think that when you shine a light on things you make every decision with an eye toward *we're going to tell people about this*. If we're not comfortable telling people about it we probably shouldn't do it. So that's been really important to me (Interview #11S).

Interestingly, the commitment to radical transparency by businesses actually contributes towards the neoclassical assumption of perfect information where people have access to all the relevant information needed to make a decision (Reinert 2012, 9). Again, some neoclassical principles are mired in good intent, such as this assumption that all consumers would have all

the information they need to make a good decision. The challenge has always been that this assumption isn't true so economic models gets distorted and become destructive.

Transparency in business actually begins to correct this and lead toward a fairer market.

Transparency and accountability are related to trust, which is a word that showed up in various ways including the importance of trusting your business partner (Interview #17S), trusting your clients and having them trust you (Interview #15S, #26, #7Sb), trusting a business transaction is a fair value exchange (Interview #26) and trusting the company will act in alignment with its stated values (Interview #37). Trust and transparency were core values that are not associated with mainstream business and demonstrate radically different values for B Corps.

### Diversity

During the interviews B Corps listed diversity as one of their values. The main themes that emerged within diversity included women, minorities, and multiple world-views. When asked about his initial spark for creating a B Corp, one leader described his exposure to diversity as his inspiration:

I was exposed to different world religions and women in religion and different aspects like that to get a lot of different viewpoints. And I think it was...trying to get a better understanding of a variety of viewpoints that helped me have a better appreciation of a larger picture than just my little world (Interview #7Sa).

Some leaders were surprised at the diversity that existed in their company when they took time to think about it in response to my questioning. An I.T. CEO was proud to realize that 50% of his tech team were women (Interview #41). A real estate CEO also realized that there are "actually a lot of women who are the top leaders of our company, totally by accident (Interview #5S)." Some leaders were very aware that women were prioritized in leadership roles in their companies, and believed that to be a good thing. An impact investor shared that one of the

factors his company used to determine whether another company was good or bad was by whether they promoted women or didn't promote women (Interview #3S).

This preference for women in leadership may be related to another theme that emerged during the interviews. A few white men in their 60s volunteered that they believe old white men in power is one of our greatest barriers to progressive companies. One former Wall Street banker summarized research that was commissioned by his and five other companies in an attempt to discover what was holding back the finance industry from progressive practices:

One of the stunning conclusions was that we just had to wait for the old white guys to die. They are entrenched in their worldviews. We all are, but unfortunately as a breed we're in real trouble. Particularly mainstream white men over 40 years old have no interest in changing anything, right? For men if they want to be relevant (a change in world view) is essential. If you go to graduation of the summa cum laude how many are men? Of all the honor students how many are men? Of all the special fellowships how many are men? 10%? I mean 20%, right? Oh the girls study harder...bullshit. The guys are lost in video games. I think that the transitioning world that we live in is really hard on men. The baseline jobs that many men went into are all gone and will never return. Like manufacturing. It's very hard for them. We're not an adaptive species. You look at a liberal arts school, how many of them are 50/50 (gender split) any more? Only a few. Most of them are 52/48, 53/47, 55/45. Then if you go to their waiting lists it's all women. I don't want to be really tough, but in our industry it is very clear no change until old white men retire (Interview #28).

He further shares that the younger generation has many more agile minded women and more thoughtful younger men. He shared his excitement for the younger generation that grew up in a different environment, "where ideas are not evil. Like the environment or climate change, or women's issues, or gay rights, all those things, they're just in the water, you just grew up in that world (Interview #28)." I propose that his preference for women in leadership is less about women and more about who is "agile minded" and "thoughtful." Whether women or the new generation enacts these qualities, they speak to the values of openness and diversity

## Democracy

The word 'democracy' is comprised of the Greek words *demos*, which is translated as People and *kratein*, which means to govern or to rule (Becker and Raveloson 2008, 4). This has been translated in various ways including *government of the people*, *government of the majority* or the most common definition of democracy: *the government of the people, by the people and for the people* (Becker and Raveloson 2008, 4). The value of democracy in B Corp companies encompasses the ability of all stakeholders including leaders, employees, and community to participate in decision making that ranges from distribution of profits to policy making.

One B Corp leader described how democracy was her guiding value to finding her way into her first triple-bottom-line business:

(I studied) the theory and practice of democracy, which was my thesis in undergrad. I actually studied in political science, I studied the psychology of political leaders, because I was very interested in how leaders kind of shaped and formed their strategies to influence policies. Where the theory and practice fell short is where often times social injustice happens. My first job out of college was aligning problem solving and analytical rigor with my passion for social change issues so I saw that you could combine these worlds and at the time there weren't that many firms (doing that) (Interview #17S). Democracy was also mentioned in connection to allocating profits. A CEO of a company that gives away all of its profits to non-profits according to democratic vote of those in the communities to be serviced describes how democracy empowers local communities by putting the decision-making power in their hands:

The theory is that we want the profit to come out of the market place and go back into the communities, where they came from in the first place to solve local problems. We don't want the rich and powerful to decide on the local problems, faced by the local community people, we want the local community people to make those decisions for themselves. Whether they be right or wrong, or whether I agree with them or you agree with them we each have our vote, because that's how democracy works (Interview #9S). Democracy in business also serves a purpose for employee engagement. One interviewee said that if there is someone over him who does not take in his ideas or overrides them, he finds it

“immediately de-motivating (Interview #42).” Democratic processes that engage employees in decision-making such as employee votes were common in B Corps.

### ***Purpose and Meaning***

When speaking of meaning the category “meaning for self” became saturated, while the category “meaning for others” was left empty. Meaning was very personal for the interviewees, and was even considered selfish as summarized by this CEO:

By helping other people, I help myself. So it's kind of how that works...I think that if you have these selfish motivations that helps other people, it's great. I really feel strongly that volunteer work and a sense of community fulfills me so I'm doing it for a reason, and I love it (Interview #5S).

A sustainable furniture designer describes meaning as being the prime motivator that eventually led her to quit her lucrative job, a job that gave meaning to her clients and would have been the pinnacle of many architect's dreams, yet a job she left anyways to find another path with more personal meaning:

I was designing and drawing houses for extremely wealthy people on the island of Nantucket in Massachusetts. I love Nantucket and I loved the people I worked with, but I had a difficult time. I felt bored and I felt like I wasn't contributing anything to society, so that's why I left and started a masters program (Interview #24).

When mentioned, B Corp leaders spoke of spirituality in terms of having an internal connection to the meaning of their work. The B Corp Summit had many spiritual aspects such as prayer flags hanging in the room to signify the Summit everyone was collectively striving to reach. The B Lab leaders also said they sound a prayer bell whenever a new company becomes a B Corp. They even had the Summit participants meditate. But when I asked B Corp leaders if they felt their purpose and meaning were spiritual I was met most times with a shake of the head and dismissal of the question. While purpose was something they felt and describe, most did not position this inner knowing as spiritually guided. Instead they describe it as restlessness, a knowing, boredom, or a lack of enthusiasm.

In his book, *The Stirring of the Soul in the Workplace*, organizational psychologist Alan Briskin describes the genealogy of the separation of work and meaning as tracing back to companies born from the Industrial Revolution (Briskin 1998, 142). Mechanistically structured, workers were treated as cogs in a machine and organized by authoritative figures in a hierarchy of power, status, and money (Briskin 1998, 151). Managerial catchphrases like *service excellence* and *continuous improvement* offer no real direction but create what Briskin calls a *disease of platitudes*, which is the displacement of meaning by repetitive phrases. Briskin calls for the integration of *logos* into management. Logos is defined by the Merriem-Webster dictionary as the *reason* that is the controlling principle in the universe. Briskin uses logos as the need for reflective time and dialogue throughout the day with others to achieve meaning, understanding, and expression. This could be understood as the need in the workplace to provide time to think. When efficiency is prioritized in the workplace, there is no time given for logos. Someone else's logic or the system's logistics displaces the needs and voice of the soul (Briskin 1998, 139). Briskin advocates for the integration of logos into management to evolve management from a mechanistic approach to one imbued with reason and meaning. This is accomplished when managers allow themselves experiences, and support the experiences of others, that create opportunities to reflect, converse, and integrate to give their world character, coherence, and meaning (Briskin 1998, 141). Work then takes on human meaning such as the joy of creating something, seeing the end results of one's efforts, taking pride in one's labor, and working with others productively (Briskin 1998, 142). It is fundamental to the human spirit to answer the call of the soul for achievement, performance, creative pursuits, and intellectual discoveries (Briskin 1998, 147).

Briskin describes that the things we do are only the outer shell, the visible half of the unseen inner work that gives it meaning (Briskin 1998, 197). When driven by only outer tangible



realities the inner world becomes a desperate, even neurotic desire to find identity and meaning (Briskin 1998, 189). When we polarize the material and spiritual worlds both are placed in jeopardy (Briskin 1998, 189). As such the workplace must evolve as a setting for an individual's spiritual journey, even if they don't refer to the experience as spiritual.

While meaning is highly personal and internally experienced, it results in engagement for employees, which in turn results in external, or market, success. In a 2010 Hewitt Associates Study, companies with higher levels of employee engagement (65% or more of employees) outperform the stock market by nearly 20%, while companies with low engagement (less than 40% of employees) had shareholder returns 44% lower than the average (Baker 2014). Structures offered by B Corps that results in true participatory employee relations, loyalty through ownership, and other forms of personal meaning are of paramount importance for B Corp leaders and for the Blue Economy.

### ***People and Relationships***

In the movie *The Big Short* when the housing bubble bursts in 2008 resulting in the financial collapse of the global economy, the person who figured it out and made \$269 billion says, "Making money is not like I thought it would be. This business kills the part of life that is essential, the part that has nothing to do with business." The movie's closing remarks state that 5 trillion dollars in pension money, real estate value, 401k, savings, and bonds had disappeared. Eight million people lost their jobs, 6 million lost their homes. The government bailed out the banks and not the American people. And business continued as usual.

Business structures that put people first are essential if the human race has any hope of surviving the current power of business. The value of people and relationships emerged when leaders spoke of holding people as central to their own personal experience, as demonstrated

by this statement from an impact investor: “I wanted to work with people I like, I wanted to work with people who care about what they are doing, with people that think that what they're doing matters or should matter (Interview #11S).” Others described ways in which they put people at the center of their business model, such as this description of an impact investing firm: “there's the finance component and there's the markets and all that kind of stuff, but there's always people at the center of it (Interview #4S).” Many described how they make sure their employees are well cared for, like at this real estate firm that supports community economic development:

For me, my success is that my employees have their husbands, wives, sisters, cousins, daughters working in our company. My executive assistant has been with me for 18 years. Her daughter recently started dating someone and he's going to ask her to marry him and we said, okay but how are you going to take care of her?’ He wants to become an accountant and he's training to be on our accounting team. Because we know that he'll be paid and he'll be well taken care of and that means that my assistant's daughter will be taken care of, who I helped to raise, because I brought up my kids at the office because I didn't want to put them into day care (Interview #5S).

### Valuing Personal Over Technical Connections

An interesting perspective on the importance of relationships emerged in critiques of the overuse of technology to communicate, rather than face-to-face connections. This was mentioned by a 64-year-old senior triple-bottom-line business consultant as follows:

People get shorter and shorter attention spans and they're communicating at 190 characters and things like that, I think that communication is suffering. So, in retrospect I think that learning how to write, learning how to speak, learning how to communicate, learning how to just connect with people, has really helped me a lot over the years (Interview #6S).

Millennials also mentioned valuing in person connections over technical communication, as demonstrated by this 32-year-old impact investor and project developer:

I work with some of the most empathetic, caring, intelligent, thoughtful, sensitive, curious people I've ever met in my entire life. And these are my colleagues, and they are my friends. I think technology really gets in our way. I think that we rely on computers and cell phones and email to communicate instead of just talking to each other (Interview #4S).

Another Millennial, a 24-year-old CEO, emphasizes the importance of this value for B Corp:

I don't want to see B Corp becoming one of those virtual online resources where people are just sending out updates and emails. It kind of loses its authenticity, as opposed to getting 20-25 people together in a room on a Wednesday night having a drink or two and talking about what they'd like to see change, how they're doing change, how we can help them do change (Interview #23).

### Employees First – The Team as Family

B Corp leaders often describe their team or employees as their family, or they describe their intention to treat them like family. The following two quotes, the first from a Millennial and the second from a baby boomer, share perspectives on how this belief not only benefits the employee, but also benefits the company:

This innovative business model, this idea of employees being the first customers of the organization. Treating your employees with respect and considering their wellness obviously trickled down to how we do treat our clients and how we sustain this organization and culture (Interview #32).

I'm a classically trained finance guy, so what we were taught was that the way you maximize shareholder value is that you pay your people as little as possible you give them as few benefits as possible, you basically make their life difficult, you know. They're there to work for you, they're not there to have a good time, right? And he said no, he said the way that you maximize shareholder value is you create an environment that people want to work for, where you attract the best talent, where they don't take time off when they're not really sick, where there isn't a lot of turnover or cost in retraining. And he said, you know I'm here to say I was shocked by the outcome of this, that just because a company has created a more enjoyable, pleasant work environment that company is more successful than its competitors. I see that again in a lot of these B Corps. You know the people that they attract are the kind of people that really want to work for that company. They're not there just to do a 9-5 job. There are still an awful lot of people in this country that are 9-5ers and they hate it. Hate their jobs, hate their lives (Interview #6S).

Prioritizing employees ranges from company culture to profit sharing and employee ownership which will be discussed in Section 4.4. below.

### Community and Clients - Benefiting The Greater Good

Interviewees also described how they highly valued benefiting others over themselves.

One CEO demonstrated this by her choices during college: “Instead of going to spring break in

Florida I went on service trips during those times. My parents were not volunteers; they did not get involved in the community so I don't know where it came from. I was very focused on others more than myself (Interview #7bS)." Another describes how his professional practice was inspired by his value of putting others first: "Doing a sculpture for people that meant something more to them than it did to me, that you could actually create something that wasn't such a self-indulgent thing...the idea that you are designing or creating something that really impacts somebody and they think of another person, they don't think of the designer...that's why I got into it (Interview #1S)." A community bank leader speaks of this quality occurring in the many Millennials she employees, as well as the dozens of interns they train every year: "We are recognizing with the younger generations coming up, (that they are) recognizing the world's problems and trying to figure out a way of not being so self-serving, but actually how can I be a part of the solution (Interview #32)."

Rather than focus on benefiting others more than self, other interviewees spoke about their values of benefiting the greater good and serving a social mission. B Corp leaders shared that they created their companies to help people, solve an environmental problem (Interviews #15S, #31), give something back (Interview #9S), do good for the world (Interviews #10S, #11S, #4S), help their communities (Interview #10S, #14S), solve social problems (Interview #5S), or help underserved populations (Interview #31).

### ***Work Life Balance***

At its simplest, work life balance involves a company culture that overrides the status quo that expects excessive work hours to prove an employee is dedicated and valuable. For example, the CEO of an impact finance firm emphasizes that, "Beyond the business model, our other value is work-life balance...it's really critical. Most consulting people will burn people out

in 60-80 hour weeks. We budget for 40 hour weeks and we really try to put a barrier around that (Interview #2S).”

One CEO shares how he was indoctrinated into startup culture with the normalized value of working excessively:

I was a huge proponent of working eighty or one hundred hours per week. When people said that's not sustainable, I said, it's not, but that's not what you're signing up for. You're signing up to start a company so you better be all in and fully able to put your time in. I did this for several years, at least the first three to five years, only sleeping four hours each night until I started to be annoyed with everything. Nothing had changed in the business, but problems that used to be just part of my day started to really get to me. My business partner got worried and told me to go on a sabbatical and I did (Interview #42).

A woman in public relations that at one time worked with Ben and Jerry's describes her status quo life prior to B Corp:

It was 24/7. It was that working girl, workaholic thing, especially for women. I graduated in 88 and I got my masters in 1990 so I was really launched out there in 1990 and for women you just worked, that what you did. It was all consuming, it was 24/7. That was what was expected. I know that's what I expected of myself (Interview 22).

She then describes her life after prioritizing work-life balance:

You do get better at what you do when you take time away from it. And go to a yoga class and go running and be outside and be in nature. I personally have to do that stuff. I'm no good to anybody. It's like put your own oxygen mask on first. I know I have to operate that way now (Interview 22).

The CEO of a consulting firm for non-profits actually lists live-work balance as the fourth bottom line for her business and describes how it is a paramount value for her B Corp business:

A lot of times clients expect me to be on 24/7 so I make it very clear when I meet my clients to tell them who I am and how I am this whole person. I want to know them as an individual, not just in a work function, as a CEO. I want to know who you are. I tell my team that we have hard working team members, but I say I don't want you sending emails past 7pm to the client. Ideally 6. And I don't want you sending emails late at night or on the weekends. It's about helping my team and I think my clients as well, help them understand this fourth bottom line, which is actually embodied in our company values, which is meaningful balance (Interview #17).

Work-life balance is not always specifically described by these words, but shows up as the desire for *flexibility*. For example, a finance coordinator that sources capital from the community and returns it to grass roots projects describes his values around work-life balance as he left his traditional finance career as follows:

Having time to get outside and go climb and ski and play in the water and be in the mountains was definitely one of the reasons I was going into business school, to be able to create the next version of my career that would allow me to have flexibility (Interview #14).

An engineer who left a mainstream engineering firm to start his own energy and water efficiency company similarly describes the need for work-life balance in the form of flexibility as his deciding factor for leaving the security of his job and starting a B Corp company:

They actually told me before I left (on a leave of absence to volunteer) "You had us write in your contract that you could take these leaves of absence, but if you don't do it then within two years you'll be an associate, your bonus will be as big as your salary, but if you go come bonus time in the fall it's a whole new ball game." And that could be the end of my career right there because he's my best reference for my next job. I said no, this is something I have to do. Then they cut my pay 15% and then eventually I said well my ladder is on the wrong wall, so why not provide a place of employment where any of my staff can take time off anytime they want. So I left in 2000 (Interview #15S).

This value was also described as living two lives: a professional life where they make money and personal life where they donate time and find meaning. An impact financier describes his earlier experience:

For the next 15 years after I left graduate school I had two lives, which many of my people had. I had my life that I made my living at, which was in the office products world and then after hours I would go protest US foreign policy in Nicaragua or whatever political issue interested me in the day. I was involved in that activism after hours (Interview #9).

Another leader from a capital firm describes her experience:

I felt as if there was this sense of duality throughout my life. I felt like I was two people...in my work life I was one person, but when I leave I'm another outside of work, you know, that spiritual sort of connected sort of stuff. They were creating tension that wasn't positive. That was the start of the crisis where I just woke up in the morning feeling empty and couldn't wake up to go to work (Interview #19S).

A Millennial CEO of a renewable energy company describes how the impetus for creating his company was to merge purpose and work:

This is not just philanthropy, just us saying that we're kids in America and don't need any money, we're just going to solve the environment mess. We asked how can we earn a living so we're not working some pointless job just to get a paycheck and then using spare time to work on our passion. We wanted to make sure our work life was making a difference by making sure we made enough money (Interview #42).

The desire to be able to devote their full productive bandwidth to the issues they are passionate about inspired B Corp leaders to create their triple-bottom-line companies.

Leaders also describe the desire to *merge* or *blend* the various aspects of their lives, to be the same person all the time, and show up as their whole self. Briskin describes how our culture has divided body and soul, merely viewing the body as a receptacle for the soul, rather than imagining the soul as *embodied*, as in relating to the world through our senses (Briskin 1998, 146). And technology has furthered this divide and created the means which we can work continuously at an increasingly intensive pace (Briskin 1998, 148). One CEO shared that he did not even think of himself as having a body until a couple years ago when he was diagnosed with severe spinal misalignment due to his complete disregard to how he sat in front of a computer for twelve hours each day (Interview #42). A human resource employee in Silicone Valley noted a discrepancy between a health and fitness emphasis championed by her company's CEO and the typical schedules of employees working 12 to 15 hours each day. The CEO saw no discrepancy since he genuinely believed that to work those hours, you have to stay healthy, you have to work out in the gym, and you have to keep a good mental outlook (Briskin 1998, 147). In her book *The Overworked American*, economist Juliet Schor criticizes the corporate approach of providing childcare, sick child care, stress seminars, or health clubs at the office, which she believes are merely ways to make long hours more tolerable for employees (Schor 1992, xv).

Such a lack of work-life balance has been killing the spirit of the workforce. A 2009 global study of 750 companies showed that the top workforce challenges after the recession included a loss of talent in key areas, the inability to attract necessary talent, the low level of engagement among workers, and the inability to use incentives as needed to insight performance (Baker 2014). A 2009 Conference Board survey of 5000 households revealed the lowest recorded numbers for job satisfactions over two decades with the following statistics: 45% were satisfied with their jobs, 51% find their job interesting, 43% feel secure in their jobs, 56% like their coworkers, and 51% were satisfied with their boss (Baker 2014). These current cultural norms of loyalty show significant change from the unquestioning loyalty given to a clan, feudal lord, or sole employer to the increased freedom today to make more conscious choices about who deserves our loyalty (Chaleff 2009, 17).

A study of over 20,000 employees and 22 markets after the 2008 recession showed a shift in the key drivers of engagement including a greater focus on empowerment, meaning the ability to control one's work situation (21% in 2008 rising to 47% in 2009) and the image of the company including corporate reputation, responsible and ethical behavior, risk management and alignment of what companies say and do internally and externally (29% in 2008 rising to 60 % in 2009) (Baker 2014). The study also showed low confidence in leaders and managers since only 38% feel that their leaders have a sincere interest in their well-being, 47% feel their leaders are trustworthy, and 42% feel that their leaders inspire and engage them (Baker 2014). A 2010 study showed that US employees want simplified design and administration for benefit and reward programs, 41% want financial management classes, and 30% want an online self-service education portals (Baker 2014). Overall employees stated that they want more freedom and flexibility, especially in decision-making (thinking) and work arrangements, but felt they lack the right tools and support to do either effectively (Baker 2014).



I now explore the intersection between work-life balance and the notion of *thinks*. People often say they need time and space to think. Overworking detaches one from a relationship with themselves, which is also a tactic used in control situations like boot camp training to break down a person so they can be built up again. This was certainly my experience at the engineering tech corporation I worked for in the late 90s that believed an engineer was only really working if they put in 10-12 hour days. After working at this pace for months, the cultural norms of the company were indoctrinated because no one had time and space to think and critically reflect on the experience they were having. It was the overworking of engineers in Mexico, even more than the pollution, which moved me to try to make institutional change and ultimately quit the company. While it may seem that the environment would be a prime motivator for triple-bottom-line companies, from my personal experience and from the data, it is the disdain for the experience of living a robotic, overworked life that is the prime motivator. People are willing to put their professional life on the line in favor of a healthy, balanced life style that affords one the opportunity to take care of themselves, stay connected to self, and ultimately connect with and hear one's thoughts that is the prime motivator for change.

The notion of how a company *thinks* is described as the main attracter for this twenty-nine year-old Millennial:

We interviewed for almost an hour and a half and by the end of it he offered me the position and it was just an amazing experience because the model of *thinking* that this institution has hadn't been done before so that was a huge attraction. I think in my generation...there's this need to fulfill a part of what's your place in the world. It's so much bigger than making a paycheck. It's what's my purpose? What am I here for and how can I actually be happy and content in my everyday life. I don't want to wait until I'm retired to be happy. You know, not working in the corporate world and working a 9-5 and leaving that at the door when I get home. But how can I integrate a work life where I'm more fulfilled overall. I see that in my peers (Interview #33).

Fun, Passion, Happiness - Work as a Positive Experience

A theme within work life balance involves the desire to have fun, work with passion, and be happy. Interviewees mentioned the word fun, emphasizing their belief and desire that work should be fun, and if you're not having fun, why do it? A CEO of forty employees describes how the notion of having fun at work was a paramount inspiration for his triple-bottom-line company:

Once I saw the good and bad of a being in a non-profit I thought, I think I can do this on my own and create something that would really value individuals. The bigger statement I was making was that work can be a fun place to be. You spend most of your time there, most of your life there, why shouldn't it be a phenomenal place to be every day where you're inspired instead of ah, I hate this place, I've got to go and work, let me see how little work I can do to get my paycheck (Interview #40).

Interviewees also used the word passion or passionate, describing their need to align their work with their passion, to feel passionate about what they are doing, and abandon work they didn't feel passionate about. The word happy was used in various ways. Interviewees described the belief in cultivating employee happiness:

We put our team first...if our team members are happy then almost automatically our clients will be happy. Sigh, I was in different corporations in the past and I was mistreated so many different times and I said I would never want anyone to feel as awful as I did (Interview #40).

Other notions of happy included the desire to be happy at work and have happy families.

Altogether, over half of the interviewees mentioned the words fun, passion, and happy. Work as a positive experience was thus a paramount theme that emerged from the data.

### ***Valuing Business, the Market and Money***

In the analysis the word business was closely clustered with profit, money, and companies. B Corps definitely value the power of business, the market and money.

#### **Valuing Business as a Force for Good**

The tag line of B Corp refers to using business as a force for good. While only a couple B Corp leaders used these exact words, there were many mentions of the use of business as being beneficial due to its structure and agency in the world. The benefits of business cited by

B Corp leaders include talent attraction (Interview #17S), efficiency and agility in operations (Interview #11S, #17S), branding and marketing (Interview #20), its ability to impact change (Interviews #22, #2S, #9S), the agency to influence other businesses (Interview #1S), the ability to get money to scale (Interviews #5S, #42), and the ability of business to make money to survive independently without handouts (Interviews #11S, #17S, #1S, #22, #5S). There was also special mention of the Millennials' resonance with triple-bottom-line businesses as a force for good: "It is actually the Millennials that have a very expansive view of the solutions and I think they have a recommitment to business as a vehicle for change (Interview #32)."

#### Valuing the Power of the Market

The power of the market as an efficient or useful mechanism was another emergent theme. This B Corp leader's comment is representative of these responses and describes how he believes in the market, but not how it is currently used. He shares how he has used the power of the market to accomplish his social mission:

So the problem is not the availability of the resources, the problem is connecting the resources to the needs and the obstacle...the market place. Because the market place was this mechanism that created and distributed wealth, but it did it in a way that sucked the wealth up to the people that happened to own the stock and the ownership of the businesses. It's a very profitable business climate in the United States and a very limited number of people, the 1%, control now something like 20% of the net income of this country, and they control something like 40% of the assets. It's not because they're greedy, it's because the system drives the profits up there. Now what happens when it gets up there...that's another question. Some people give it away, some people buy islands in Hawaii. Our goal, politically, was to use the market place and our skills that we had developed over 15 years to use the market place to create wealth and distribute it democratically, according to needs that are assessed by the people who, for us, are in the best position to understand what the community's needs are and what organizations are best positioned and most successful in dealing with those needs (Interview #9S).

This furthers my earlier point that the market when imbued with values and structures that operationalize those values can actually operate according to Adam Smith's invisible hand.

## Valuing Money

B Corp leaders stated that their interest in starting a company was to make money, and if they were going to make money, they might as well do good along the way. This profit motive that expands to social and/or environmental motives is often called “doing well by doing good,” as described in this interview:

We want to help grow businesses and people that are trying to make money by putting something better into the world. That's what I wanted to do. I wanted to work with people I like, I wanted to work with people who care about what they are doing, with people that think that what they're doing matters or should matter. I just want to leave some sort of positive impact in the world and at some point selling toaster pastries and crappy ceramic bake ware was just... who cares (Interview #11S).

Some companies were created to make money, and eventually transitioned to a triple-bottom-line. A sustainable furniture maker describes how they originally started designing furniture that could be flat packed and that awareness just grew until they switched to a sustainability model (Interview #24).

Other companies started with the prime goal of making money, but in a good way. One impact-investing firm said they designed their company to “reflect the fact that investors are looking to do more with their money than just make money. They're looking to make money and to make a difference (Interview #6S).”

Other companies were never completely motivated by money, but recognized its power in supporting a mission for good. Leaders recognized the power money has for attracting the best talent or paying people properly including staff and vendors (Interview #1S, #10S). Others wanted to create community capital to fund meaningful projects (Interviews #11S, #12S, #14S, #3S).

For many money has the power to lift all ships as stated by this CEO when he discusses increasing profits: “We want to move out of being resource constrained so we can move toward a model that leverages shared prosperity (Interview #41).” Money also has the power to

support operations of the company at such a scale that real impact is made that disrupts an industry or allows their business model to create magnified impact (Interviews #42, #9S). This is the mission motive for money. The CEO of an office supply store that gives all its profits to charity describes his motivation for making a lot of money:

Success for me would be to have a significant sector of the economy run in a competitive fashion on behalf of the common good as the central stakeholder. In other words, I want to be Staples. I don't want to run like Staples, but I want \$30 billion in sales so we can donate \$2.5 billion, instead of \$2.5 million. We need something that can scale to the problem and the problem is a huge problem (Interview #9S).

### ***Bringing it All Together – Collaboration***

The Merriam-Webster dictionary defines collaboration as “working jointly with others or together, especially in an intellectual endeavor.” Defined in this way collaboration was mentioned directly by a number of interviewees and indirectly by many more. Collaboration is the core concept that ties all the others together since it is touched upon by every value, idea and belief discussed so far.

When discussing making an impact and being revolutionary, leaders mentioned collaboration as a core mechanism for influencing their industry and regions. Some talked about the value of collaboration to mentor or be mentored by companies that are similar (Interviews #32, #7Sa, #7Sb). Others talked about the value of collaboration when building a strong network or ecosystem where everyone is not doing the same thing, but they understand each other's value and niches and can cross promote and build community economic development together (Interview #5S, #31). The benefit of having collaborative metrics, where the B Corp community shares its data and aspires to the resulting global benchmarks is also a form of collaboration. And leaders mentioned the importance of collaboration between businesses for innovation, especially for addressing climate change which is a systemic global challenge requiring everyone to work together (Interview #25, #30, #31).

Collaboration lies at the heart of the core common values discussed earlier. Collaboration is impossible without transparency, accountability, diversity and democracy. Transparency and accountability build trust for collaborative processes. Diversity contributes to the many different voices coming together to solve challenges. Many interviewees mentioned that working with multidisciplinary teams, others that do things differently in their industries, as well as those from other industries provided the diversity needed for useful collaborative outcomes. Democratic processes are also needed to ensure the process of collaboration is fair, respects everyone, and hears everyone. Democracy in itself can be viewed as a process for fair collaboration.

Collaboration is also discussed as an incredible experience that gives participants purpose and meaning, builds relationships and contributes to work life balance. Many reference working together with great people as being a highlight of their positive work experience (Interview #31, #6S). This was especially prominent when speaking about the team dynamics within the organization, but was also mentioned as a great experience when working with others outside of their organization. And collaboration is at the heart of creating relationships, which is of paramount value to the B Corp community.

Interviewees also spoke of the incredible impact that the collaborative teams in their companies are able to make, positioning collaboration as a core concept that delivers results for the companies' goals of benefiting the greater good (Interview #4S, #6S, #24). One impact-investing firm describes the paramount importance of the founding team's ability to work together:

One of the number one determinants of success, as long as you are reasonably intelligent and have a reasonable amount of capital to do it and of course you have a good thesis of what you're trying to accomplish, is how well the team gets along (Interview #3S).

As a mechanism for making impact, one interviewee advocates that B Corp is best positioned for collaboration with social businesses and grassroots efforts around the world for global impact (Interview #29). Another leader describes how collaboration is one of his two personal guiding principles because of his belief that collaboration results in longer term and broader results:

If you want to go fast go alone. If you want to go further go together. A blend of collaboration to go further together combined with totally embodying the change that the world needs and being that change are two of my very strong personal values (Interview #34).

A fascinating view by some B Corp leaders is that the market, business, and money are vehicles for multinational collaboration beyond what would be possible without them. The market was described as a mechanism for businesses to collaborate (Interview #9S, #25, #26). Some describe business-to-business relationships as being natural collaborations rather than competition (Interview #9S, #31). And others feel money arrangements are a foundation for facilitating collaboration (#10S, #14S, #18S).

Collaboration is the core concept that ties all of the values, ideas, and beliefs of B Corp leaders together. Working together and working towards a shared outcome touches on every aspect of personal experiences, interactive experiences, concepts, processes, and outcomes of B Corps. The next two sections will discuss the philosophical foundation for what makes collaboration so important, as well as the key structural mechanism of companies that fosters collaboration.

### Interconnectivity

When B Corp leaders were asked why they thought collaboration was so important the answer was often that everything is interconnected and should function in that reality. Sometimes this was framed in esoteric terms, such as this example:

So if we all are actually the same thing, we're just one big conscious thing interconnected in the universe, then there's no room anywhere for us trying to desire all these things individually, or accumulate things individually. This is one of the huge moral challenges. How can we be Americans with dollars in our bank account when there's people all around the world who don't even make a dollar and can't even eat. How is that ok? (Interview #42)

Sometimes interconnectedness was framed quite pragmatically:

The new economy...means we can use business as a force for bringing our communities our selves and our organizations closer to the environment. Closer to a place that is more connected (Interview #34).

Businesses spoke of their business model being based on creating connections of all sorts including connecting people with other people (Interviews #14S, #8S, #4S), connecting people with resources such as mentorship and money (Interviews #21, #31), connecting people with opportunities such as jobs or community improvement (Interviews #10S, #16S, #25), and connecting people's money with their values (Interview #6S). Other leaders describe their business model as being able to understand and work with interconnecting complex systems that include people, information, and processes (Interview #3S). The widely accepted interconnection of the components that make up the economy including people, money, markets, and other opportunities is the foundational understanding that supports the overarching guiding principle of collaboration for the Blue Economy.

### Interdependence

B Lab builds on this understanding and acceptance of interconnection and connectivity in the B Corp business community and imbues it with the relational quality of interdependence, or the condition of being mutually reliant on each other.

One B Corp leader describes his views on the value of interdependence and shares his thoughts on the genealogy of the American ethos that prizes independence:

I had the privilege to attend a couple of MBA and PHD presentations in business and I always wanted to hear something about the interdependency concept. They are



teaching exactly the opposite. It's like you have this typical model. You shouldn't depend on anyone, you should avoid depending on your customer, or specific providers, or specific employees. They didn't teach you how to create, maintain, or appreciate interdependency. It's part of our history. In the Americas, everybody has some story about independency. (Our leaders) fought for our independency because they created a strong relationship between independency and liberty, freedom, and (these are) not the same things. Freedom is something that is related to your spirit. It's not related to that other stuff (Interview #8).

While unique collaborations *between* businesses and people demonstrate the quality of interdependence, the operationalization of interdependence shows up most commonly *within* B Corp companies in the dynamics of employee relations. Employees in B Corps are expected to be engaged with the purpose of the organization, embody its shared values, and recognize the interdependence of all the components, including employee-leadership relations. These requirements demonstrate the importance in the B Corp structure and culture of employee communication and collaboration and in no way emphasizes the dominant role of authority. As such, employees should expect to engage in dialogue with leadership and even be included as major players in decision-making. This requires that they be knowledgeable in a much deeper way than in traditional organizations, not just on the operations of their part of the organization, but on all aspects of the entire enterprise. This places employees on much more even footing with leadership. While they still perform different roles than leadership, they must function as collaborative, equal partners in terms of their passion for the mission and often with similar knowledge, access to information, democratic rights, and decision-making authority.

### Network Over Hierarchy

So what needs to be put in place for employees to successfully fulfill this role over time? The exploration of this question must begin by differentiating how traditional organizations organize their employees around mission. In his book, *The Courageous Follower*, Executive Coach Ira Chaleff describes the necessary evolution of hierarchical organizations to recognize that every

individual must be able to function as leader and follower well for the organization to succeed (Chaleff 2009). Chaleff identifies a “true” relationship with a leader as one where they meet as one human being to another, neither fawning nor manipulating but rather working together with mutual respect and honesty to achieve a common mission (Chaleff 2009, 12). This differs from a traditional hierarchy. Rather than the follower orbiting around the leader, the followers and leaders both orbit around the purpose (Chaleff 2009, 12). In such a model the manager falls away as motivator and the purpose becomes the magnetic mobilizing force (Covey 1991, 303). Employees in such an organization are not subordinate to the leaders but are rather followers of the common purpose, stewarding all resources of the organization, *including influencing the leadership*, and wanting both the leader and organization to succeed (Chaleff 2009, 15). At best, traditional leaders spark and ignite action and generate power for the mission and the followers are the guarantors ensuring the beneficial use of that power by being in partnership and constructive communication with the leadership in power (Chaleff 2009, 23). Chaleff’s description still involves traditional leader follower roles, which requires a fine balancing act dependent on the maturity and receptivity of the leader, the maturity and courage of the follower, their relative status in the hierarchy, and the culture of communication within the organization. The success of such a model does not come from its intrinsic structure, but through the strategic management of the follower-authority relationship, which may or may not be possible depending on the presence and rare combination of a number of attributes.

While many business leaders and academics have evolved the vision of a successful business to include a more human notion of work where collaborative relationships are formed between workers and management, the reality remains that almost all modern corporations are owned from the top and structured as a hierarchy with employees receiving wages set from above. Within this traditional view of corporate structure, some of the most advanced models of

employee-authority relations see the parties as partners focused on the same mission (Covey 1991, 303). Yet often in reality, this sort of evolved partnership is not simply granted but must be carved out by the employee that has the unique skill-set to influence an authoritative leadership. As one leader noted "the people who influenced me from a lateral or subordinate position seem to have a deep, natural sense of self-worth (Chaleff 2009, 12)." Self-confidence translates into pragmatic benefits when working with those in power in the traditional hierarchical company. For example, a self-confident person when faced with an intimidating interaction may be more likely to attribute the experience to the other person's style or personality rather than to their own flaws or failings (Chaleff 2009, 12). The self-confident person is then more likely to use their strengths and specialties and speak forthright to the intimidating authority figure. Courageous people are more likely to take the risk to speak and act on the truth as they perceive it to balance power (Chaleff 2009, 20).

The structural solution that allows all people in the organization to contribute rather than just those who are courageous is to build the organization like a network rather than a hierarchy. Often this is referred to by B Corp leaders as having a *flat* organization, meaning the distance between the top management and the lowest ranked staff on the organizational chart is minimized and usually only two or three layers deep. Flat or networked organizational structures are discussed further in Section 4.6.

It is also important to share that B Corp leaders talked about the importance of forming networks externally within their regional or industry or with potential clients. B Corps reference these networks as an ecosystem implying that they are interdependent and not just relationships formed for mutual benefit, but rather working together as a whole (Interviews #12S, #14S, #16S, #25, #2S, #34). Most importantly, the notion of network over hierarchies, both within and external to the organization, replaces traditional authoritarian structures allowing

more diverse contributions to decision-making and the sharing of more information, which ultimately results in more efficient and effective outcomes as well as happier people.

## **SECTION II: THE MEANING, SOURCES, PATHS, AND OPERIZATION OF B CORP LEADERS' VALUES, IDEAS AND BELIEFS**

### **4.4 Literature Review Comparison**

The ideas, values, and beliefs of B Corp leaders described above closely resemble the main themes that emerged in the literature review. This section will cross reference the themes from the literature review with those that emerged from the data in order to recognize what was similar, and thus of probable significance for the Blue Economy. This section will also discuss the discrepancies between the literature and the research to determine if themes that emerged from one or the other, but not both, remain relevant. This is the first section containing theory that has emerged as a result of this project.

The left side of the following chart lists the overarching goals and guiding principles that emerged from the literature review. The right side of the chart maps the themes that emerged from the data onto the literature review themes. It is immediately clear that there is a strong correlation between the two sets since the data themes map easily and exhaustively onto the literature review themes, meaning that no themes from the interview data are left unmapped. Interestingly, there are two literature review themes that did not emerge prominently in the research data: Internalizing Externalities and Protect and Evolve. I will begin the exploration of this mapping by discussing these two themes first.

Literature Review Themes	Data Themes
Qualitative over Quantitative Growth	Valuing the Power of Money
	Influencing Their Industry and Regional Sectors
Bake Values into Profit: Benefit the Triple Bottom Line of People, Planet and Profit	Valuing Business as a Force for Good
	Democracy
	Diversity
	Integrity
	Transparency and Accountability
	Fun, Passion, Happiness - Work as a Positive Experience
	Purpose and Meaning
	Addressing Climate Change
	Valuing the Power of Money
	Valuing the Power of the Market
	Measuring Up to Mainstream Metrics
Emulate and Integrate with Ecology	Interconnectivity
	Interdependence
Collaboration over Competition	Bringing it All Together - Collaboration
	Interconnectivity
	Interdependence
	Network Over Hierarchy
Relationships over Commodities	People and Relationships
	Employees First – The Team as Family
	Valuing Personal Over Technical Connections
	Work Life Balance
Internalizing Externalities	
Contributing to the Whole or Greater Good	Community and Clients - Benefiting The Greater Good
Locally Empowered, Globally Connected	Democracy
	Interconnectivity
	Influencing Their Industry and Regional Sectors
Disruptive Innovation over Improvement	Making Impact, Being Revolutionary
	Innovation
Protect and Evolve	

To internalize the externalities means including in the economic model what was previously not included. A query on this phrase in the transcribed interviews reveals the following single occurrence:

Wells Fargo now has more than 50% of their employees at part time with no benefits stature. This is really only a huge problem of externalities for the rest of us (Interview #32).

This means that the challenges that the Wells Fargo employees face as the result of needing to find second and third jobs and lacking healthcare becomes problems that are not Wells Fargo's, but are external to their business model. They become the problems of the employees' families, other employers, society or the state. From this perspective, the concept of internalizing traditional externalities into the company business model is actually a signature structure of B Corps. While the word *externality* was not directly used, leaders reported ensuring that their employees have healthcare and a working life that suits the needs of their

finances and their families (Interviews #10S, #17S, #21, #23, #24, #31, #39, #42). In this way they internalize costs often externalized by traditional business models.

Recall from Chapter 2 that on a national scale, fossil fuels receive heavy government subsidies encouraging wasteful consumption and excessive pollution by creating market distortions. If our national budget chose to internalize (include) the cost on society of the pollution created by the subsidized fossil fuel industry, the cost benefit of the subsidy would diminish considerably. I searched the transcripts for the word subsidy and taxes and found leaders looking for ways to account for green-house gases within business models. One CEO directly speaks to the need to account for greenhouse gases created by business:

I think we (businesses) are waiting for something to happen at the legislative or the regulatory level and it's just not happening. But in the gap, businesses have stepped forward. You have Microsoft doing internal carbon pricing, you have Google and Apple testifying on the Hill saying we're ready, we need this, it reduces uncertainty for us, tax us god damn it (Interview #17S).

I also found that B Corp leaders were aware of the distortions created in the market when true costs are not included in pricing, as in the case of cheap labor and lax foreign environmental policies allowing products to be sold at incredibly low costs (Interview #20, #24, #1S, #21). A sustainable textile CEO describes how the creation of NAFTA globally normalized the building of businesses on the foundation of externalized costs:

I gave a Ted Talk two weeks ago and one of the first slides that came up was the number 98%. That's the percent of the apparel we now buy overseas and if you went back 30 years ago when I first got started it was pretty much 98% made here, and when I say here I mean North Carolina, South Carolina, Tennessee, Virginia. After the start of NAFTA, global trade deals basically totally destroyed the textile industry in this country. So we got devastated and everybody at the time would say either you go out of business or you find an overseas partner. Apparel is dead in manufacturing in the United States, because why are you going to pay people more money if you can do it somewhere cheaper (Interview #21).

This interviewee, among others, advocated for the removal of subsidies and distortions so that the market could function such that sustainable options that include costs for pollution and fair

wages would have a competitive chance (Interview #20, #24, #1S, #21). As such, in my development of theory on the overarching goals and guiding principles for the Blue Economy, I not only keep the notion of internalizing externalities, but I realize that it is a principle that guides the beliefs and structures of many triple bottom line businesses, even if they do not understand or speak in the phrasing of internalizing externalities.

The guiding principle of *Protect and Evolve* involves the institutionalization, continuity, and longevity of what proves successful for the Blue Economy. B Corp leaders echo this value by expressing their intention to ensure their companies remain triple-bottom-line for the long-term, through changes of leadership, or as their *legacy* (Interviews #11, #16, #17, #20). They also expressed the desire to avoid *green washing*, which is the dissemination of false or incomplete information by an organization to present an environmentally responsible public image (Furlow 2009, 22)(Interviews #26, #35). In this way they want to protect what B Corp stands for.

As discussed in Chapter 2, the literature further breaks down the mechanisms of protecting and evolving the path forward into the notions of self-governance, government oversight, or a hybrid of the two. One leading perspective calls for self-governance under shared values and principles within the market as a key to protecting the path and allowing evolution, much like all living systems self-organize and maintain themselves by shared biological principles (Sahtouris 1997, 3). Ultimately the Benefit Corporation, and the legislative activity around it, was created to allow companies to protect their triple bottom line business models and the B Corp community praises B lab for creating such legislation as the first truly useful means of protecting their business models. And the B Corp certification and recertification every two years encourages companies to evolve their business model over time to earn higher scores as the Assessment Tool reveals opportunities for growth.

Another perspective that emerged from the data was that government should have taxes and rules in place that force businesses to operate fairly (Interview #17S, #30, #5S, #6S). This maps onto the need, described by David Korten, of the Blue Economy to have an appropriate level of governance to set the framework and to provide the context within which the daily decision-making of people and businesses balance individual, environmental and community interests (D. Korten 2010, 53). As such, even though it was not frequently mentioned, the guiding principle of Protect and Evolve is intrinsic to the B Corp community and remains an important one for creating the Blue Economy.

Since all other themes have been thoroughly discussed in Chapters 2 and 4, this section is now complete in answering Research Question #1: what common goals and core concepts emerge from B Corp leaders to articulate the Blue Economy? This section also answers Research Question #2a: What values and beliefs are common amongst B Corp leaders. I will now discuss Question #2b: where did B Corp leaders gain these values and ideas?

#### **4.5 The Source of B Corp Leaders' Values and Ideas**

The sources of B Corp leaders' values and ideas are articulated as falling into one of six categories: an inner knowing, inspiration from a role model (interestingly either a woman or Paul Newman), traveling, exposure to nature, or the reaction to a negative experience.

Inspiration from a role model was the most common source of values, ideas, and beliefs and was divided between women such as a grandmother, mother, female family friend or wife (Interview #12S, #3S, #1S, #4S), or Paul Newman, which was cited by two white men in their mid-50s (Interview #2S, #9S). That Paul Newman was a role model shows that prominent leaders can influence others to emulate a triple-bottom-line business model.

The influences of traveling and nature were closely tied together in the interviews since traveling was described as influential as it led to experiences of nature (Interviews #3S, #23,



#14S, #10S, #42, #35). Leaders described how being close to the land, agriculture, trees or nature helped them “learn about the planet” or “transform their view of the world” and see “how business effects things and is doing a pretty poor job.” Traveling also led to negative experiences of how people or companies were treating communities or the environment detrimentally, which was also my experience working for a multi-national in Mexico shortly after NAFTA (Interviews #42, #3S, #19S, #35). The remainder of negative experiences that were the source of interviewees’ lens on the world were related to negative experiences at work including lack of passion, depression, brokenness, mistreatment, overworking, exhaustion, and feeling lost (Interviews #18S, #4S, #1S, #15S, #17S, #22, #39). These experiences forced each person to do something different by creating a new path for themselves and others that felt opposite to what they were experiencing. Comparing this list of negative experiences and the themes that emerged as values, ideas, beliefs and concepts of B Corp leaders, it is easy to see how these lists are opposite in nature and how B Corp leaders could be characterized by their ability to transform negative experiences into the intention to create a life where their foundation is the exactly the opposite.

Finally, a couple of leaders described having an *inner knowing*, which resonates strongly with my own story. If I were asked about the source of my values and ideas as a B Corp leader, I would definitely include having an inner knowing in my answer. Given the reflexive role of the interviewer in CGT, I include my experiences as relevant and am especially interested when someone’s story rings so true to my own. This woman’s recollection of her childhood and the inner knowing that was there then and continues to guide her could be my story word for word so I share it, as there are at least some B Corp leaders that it represents:

I really don't know where it came from. Even as a very young kid, the kids getting picked on at school. I would fist fight to get them out of it. My brother was three, people would

pick on him and I'd stand up for him. I had that in me somewhere, it was just evolving (Interview #43S).

#### **4.6 Four Common Trajectories to Becoming a B Corp Leader**

An analysis of the interviews shows that B Corp leaders that made the transition from a mainstream company to creating a B Corp described one of four paths, each with characteristic attributes. It is interesting to note that only the Millennials interviewed described entering a B Corp without making the transition from a more traditional company. In all cases the Millennials who found their way directly to B Corp learned about triple-bottom-line businesses during a course in higher education and specifically sought out a B Corp company to work with, or in one case created one, when they graduated (Interviews #10S, #13S, #33).

This remainder of this section describes the four characteristic paths from traditional roles to B Corp leadership that emerged from the interviews. It begins with the most conscious and intentional transition path, with each path becoming subsequently less conscious and more traumatic.

##### ***1. Inner Knowing and Timing***

Some leaders knew they were going to leave their current role due to value misalignment, but just needed the right opportunity to leave. One person waited until she found a Master's program that was more aligned with her values and could provide a path to something different (Interview #24). Others waited until they knew the next company they wanted to create as described by this leader:

We had a lot of conversations (throughout) the months leading up to leaving and starting (our company). And those conversations were all around "how can we do this differently and make it more fulfilling and have more purpose, and not sacrifice all the experience, skills, and net worth we developed in this trade of consulting (Interview #43S)."

Many wrestled with the notions that leaving would be a form of *failing* (Interviews #22, #24, #18S, #17S). One leader describes how they connected with their inner knowing and took the leap to leave:

So I was 25. I'd been promoted faster than anyone else at this accounting firm but I hated accounting and I just felt like what am I doing here. I'm stuck in a job everyday. I hate to get up to go to work everyday, but I felt so trapped, you know I can't leave because that means I've failed. But there just became a point where I just quit and did nothing.

Interviewer: What made you quit?

Interview #17S: To be honest I just had a moment of clarity. Substance induced moment of clarity.

Interviewer: And what was clearly stated to you? What did you see?

Interview #17S: That I could quit, that it wasn't that bad if I left. So I left and I focused on spirituality. I did a lot of meditation and martial arts and I studied aikido and tai chi and then also I read a lot of books and spent a lot of time with friends and family reconnecting. All the things I put a pause on in my life I came back to for a few months and then funnily enough a job that I'd always wanted landed on my lap. Someone picked up the phone and called me and said we heard that you want to do this work in a small private equity firm. Come work for us.

Other leaders described waiting until they had exhausted the learning curve of skill

development or industry learning before they allowed themselves to leave and build or join a more value-aligned venture (Interview #17S, #11S, #7S).

## **2. An Opportunity with Value Alignment Presents Itself**

Some leaders didn't have as much clarity about their exit strategy, but knew they weren't happy and something was off. They didn't know what to do about it until another opportunity presented itself that, by contrast, felt so right that they were propelled to make the change and join a triple-bottom-line business (Interviews #6S, #22, #24). This is best described by this finance B Corp leader:

I had gotten to know (the company leaders) and I begun to understand what they were doing and I realized there was a financial services company and a way to invest that was different and it just felt better, felt right for me. You know, it allowed me to connect those dots, if you will. So a job came available and I jumped really quickly and I moved (Interview #6S).

### **3. *Forced to Start Over***

A number of B Corp leaders described that their job either ended or they were in an accident that forced them to reevaluate their life (Interview #5S, #9S, #1S). Since they were going to have to use an incredible amount of energy to start over and begin a new learning curve or endeavor, they decided to ensure it was different this time, more in line with their values, and had meaning.

One person was involved in a car accident that forced her to reevaluate her life (Interview #5S). While the downtime was not a result of her work, she still attributed the forced reflection time to her life change and felt the accident had divine meaning. Another person lost their job during downsizing in the tech industry and rather than find another tech job, he followed his passion to create a sustainable jewelry company (Interview #1S). Another described how he was required by his current company to create a new division. Rather than use his energy to create something new for his current employer, he chose to use that energy instead to create his own company that did things in alignment with his values (Interview #9S).

### **4. *Illness and Depression***

A number of B Corp leaders described becoming so depressed about going to work or having a job where there was no meaning or a misalignment of values that they had to take a leave of absence or quit just to restore their health and their connection with themselves and other more human parts of their life (Interviews #2S, #24, #18S, #19S, #17S). A number of leaders described simply breaking down with sickness or headaches that forced them to take time off and get reflective:

Quite frankly I got sick, I pushed myself too far. From stress, I always had migraines, I got really sick. It just stopped me cold flat on my back, in the hospital. That life change really made me reflect on what was important (Interview #17S).

I worked my ass off for about two weeks, about 70 to 80 hours each week. I worked so hard for a project I so fundamentally didn't believe in. By the time I got done I was sick and was ill for another two weeks. I woke up from that experience and decided I'm not willing to do this any more, I'm not willing to work for clients or projects I don't believe in, I don't care how much they're willing to pay me. Period. That was really, really it for me (Interview #41).

Many leaders had to get to an internal breaking point before they would make the change. This makes considerable sense when one contemplates the nature of a leader, which includes dedication, unwavering commitment, the ability to navigate difficulty, staying the course through challenges, unquestioning confidence in achieving goals, etc. As described earlier, it is often the feeling of failure or quitting when the going gets tough that makes leaders feel like they need to plough ahead, tough it out, and override the inner voice that says *quit*. The nature of traditional organizations socially reinforces the values of commitment to the enterprise, as I greatly experienced in my tech manufacturing job early in my career. The hours and focus that leadership roles demand in such organizations don't leave much conscious time to reflect on happiness or question the machine that one is consumed with maintaining and optimizing. It is really the opportunity to reflect and connect with self and the other human parts of one's life including hobbies, passions, family and nature that allowed these leaders to connect with fulfilling and meaningful work without being forced into the transition through accidents or illness.

#### **4.7 One Common Trajectory for Becoming a B Corp Company**

One of the most interesting results of the interviews was that B Corp leaders described a similar path to success for their companies repeatedly. Three distinct phases emerged in their descriptions.

### **1. *You're Crazy***

Without prompting, leaders volunteered at some point in their interview that when they started their triple-bottom-line business their colleagues, competitors, investors or friends thought they were misguided or crazy (Interview #31, #5S, #9S, #7S, #17S, #21, #43S, #11S).

A reason cited was that the company would not be profitable as described by these quotes:

We changed the mission of our company to be a successful company by looking simultaneously after people, planet, and profit. When we talked about that in the south in the late 90s people just had a glazed over look...a lot of "Why would you want to do that? It's about your bottom line (Interview #21)."

We had a couple of people roll their eyes like "Why wouldn't you just keep all the money?" Those type of comments. Or "I don't get it, you're a business, you're supposed to be profitable (Interview #43S)."

### **2. *Not Everyone Gets You, But We Get You***

What happened next for these successful B Corps is that they were able to find one to three clients, and most often large or influential clients, that understood and valued their model and was willing to give them a substantial contract or opportunity to prove their model (Interview #31, #5S, #9S, #7S, #17S). This leader describes how the naysayers didn't stand in the way of their trajectory since others got them and gave them a chance:

Other people got it and very important people in our community got it and that gave us our first clients and our first billable work. And allowed us to turn profit in month one and we've been profitable every month since (Interview #43S).

### **3. *You're Successful and We Want to Be Like You***

Once the model was proven, the company often received press or notoriety in their industry since they had proven a business model that was socially and environmentally beneficial, which seemed impossible at the onset. This B Corp leader describes how they repeatedly met people in the community affected by their success:

We've had story after story where people said "Hey, I've heard about you!", or, "You've really inspired me and I think I'm going to go to this!" I mean just story after story. We helped kind of change their path (Interview #43S).

The power of securing a few large successful clients showed up over and over again in the interviews. This leader describes the trajectory of a B Corp he consulted for, which outlines the three step path from being perceived as crazy, to securing a few early adopters, to influencing the market to follow suit:

They wanted to take the leap and become a sustainable business, and everyone told them that they were crazy and they had the hardest time getting clients and they scraped away at it for the first year or two and then they got their first one, two, or three and were able to leverage those and then get market share. And then the market said, well, that's how everyone should do it (Interview #31).

The final salient point to note in this section is that the B Corp certification offered considerable value for companies that led the way in their region and industry. When they were first trying to prove the model, the business model was straightforward enough that it was easily understood, but most just didn't think it would work. Once the model proved successful the companies that began copying it sometimes didn't execute the model with as much integrity and consistency as the original company, resulting in market skepticism around all companies with similar models. The B Corp certification provided the differentiation in the market at this phase, as described by this leader:

Because we did custom sustainable print apparels, everybody looked at us being more expensive and didn't factor in where it's made and how it's made. So there wasn't any need for us to have any validation or certification beyond what we told people. We started realizing that the market was growing and more people were going to be getting into this arena, that we need some type of certification...that validates what we are doing as a business in regards to the triple bottom line. We were the first in North Carolina to get certified. There are 40 some companies now. It was exactly what we needed, it validates what we're doing as a business beyond maximizing our bottom lines (Interview #21).

#### 4.8 Structures that Define Triple-Bottom-Line Businesses

I will now discuss Research Question #3: What ideas do B Corp leaders have, and have they implemented, for the processes, power relations, and structures required to create businesses that drive a movement toward a thriving, just, ecologically sound Blue Economy?

It is difficult to imagine a vision of corporations beyond those featured in mainstream movies like *It's a Wonderful Life* (1946), *You've Got Mail* (1998), and *the Secret Life of Walter Mitty* (2013), all which portray corporations as evil predators that trample the needs of their employees, communities and the environment in their singular pursuit of mammoth profits. Yet those same movies portray the archetype of an underdog company, one that puts community before profits such as in *It's a Wonderful Life*, or tries to operate independently like the bookstore in *You've Got Mail*. This theme of evil corporation vs. good company that has played out for decades in media is a reflection of the prevalence of these themes in our daily lives not only in our role as consumer, but perhaps even more importantly, in our experience of work. The B Corp certification attempts to identify companies where rigorous standards of social and environmental performance, accountability, and transparency are the structural backbone of the company. Such companies claim to have a different mission, structure, and culture compared to status quo, which inevitably result in different relationships between the company and the community, worker-authority relations, and consideration of the environment. This section will explore the differences between non-profits, government, traditional companies and B Corps in terms of their principles, structures and cultures.



## ***Why Not a Non-Profit?***

There is an inherent challenge in structuring an organization as a for-profit company and ensuring the social and environmental missions are honored along with profit making.

Skepticism is warranted and inevitable. This leads to the question...why not just be a non-profit where no one would question your motives or your ability to remain committed to your mission?

A financial advisor that specializes in advising Charter Schools describes the challenge of being a for-profit that is committed to social good:

A lot of accusations are going around where people are saying that these for profit institutions are out here, it's all about their bottom line and how to pad their pockets, and it's anything but that for us. We want to make sure all our marketing materials really demonstrates that we're in this for the social mission, that's part of our reason for becoming a B Corp (Interview #40).

The same CEO describes why he had originally worked in a non-profit and how he learned it was not the solution to his needs:

I wanted to be in a non-profit because I thought it would be void of all the typical politics or at least it would be less so. Once I saw the good and bad of being in a non-profit I thought, "I think I can do this on my own and create something that would really value individuals (Interview #40).

A dear friend of mine worked for a non-profit for the past decade and finally left the organization. The team she managed was expected to work ten to twelve hours each day and often when I skyped with her at work she and her employees were exhausted and sick. The culture of the organization was to do as much as possible under their 'limited, non-profit' budget, which was actually not a small amount (\$30 Million). Yet because these employees were passionate about the mission, they were expected to produce outcomes regardless of the hours it required. It always astounded me that this team working at a NGO in Toronto could be living a similar experience to the engineering team I had worked with in Mexico shortly after the creation of NAFTA.

So non-profits do not ubiquitously solve concerns about politics or work-life balance. This could, of course, be due to the culture of each individual organization. But I also propose that there is an element of struggle intrinsic to the non-profit structure. My experience is that thin financial margins in a company, much like a household, cause internal stress to the organization. The *survival mode* that results from inconsistent income in the form of grants or government support can put all elements of the organization into fight-or-flight mode. As discussed in Chapter 2, Tierney and Steele's *starvation cycle* results in unrealistic funder expectations and pressure to conform to donors' expectations (Tierney and Steele 2011, 5).

Many B Corp leaders indirectly site avoidance of the starvation cycle as their reason for being a company rather than a non-profit (Interviews #1S, #17S, 22, #11S, #5S). They reference structural challenges that affect non-profit organizations' ability to make impact, as described by this social worker turned CEO:

With non-profits and the way they're structured...you have to spend your budget completely every year. You have no idea if your funding gets renewed, so you're not making decisions based on long-term intervention. You're always dealing with (short-term) intervention as opposed to prevention programs (Interview #5S). They also site financial inefficiencies as a key challenge with the starvation cycle, as described by this sustainable jeweler:

My experience with non-government organizations, or not-for-profits, is that they lose sight of the ultimate goal, and that is: "This has to make money." Because fundraising is more difficult than it's ever had been. This idea of chasing money...you spending a hundred dollars to make five bucks...it's stupid. It's a flawed model (Interview #1S). Power relations as a result of the starvation cycle are a key reason these leaders don't like non-profit structures, stating they force the organization to beg, take hand-outs, and chase money, all which diminish the organization's power (Interviews #11S, #17S, #1S, #5S, 22). As a result, B Corp leaders believe being a business provides more powerful agency as described by this financial advisor:

Constantly begging for money and asking for grants takes away some of that power. And business is powerful. They have the largest megaphone and a huge voice (Interview #11S).

Other inefficiencies of the non-profit model cited involve the organization's relationship with the sources of money. While the notion of overbearing or demanding money sources presents one problem, a more rare but still considerable problem occurs when money is given without purpose. It can create distortions in the ethos of the organization, much like a spoiled child that does not connect the money they receive with their efforts. One consultant attributes her experience with the ineffectiveness of a non-profit to third party funding sources:

When you start to have third party payers when you're a non-profit, like foundations funding different work, that's a third party payer. We know what happens with a third party payer situation: accountability just gets lessened. I know it. I know when my clients, some of them are non-profits, they pay us because someone has given them a grant to do it. Okay it's good, I'll take it, if it funds the work and they really want to do it. But the clients that pay for us with their operating budget, I will tell you it is a different project (Interview #17S).

This was also described as a frustration by a financial advisor specializing in supporting non-governmental organizations (NGOs) and non-profits: "I did a pro bono project once for a non-profit and it's sort of like (they) just checked a box on where they wanted their money to go (Interview #11S)." He further describes how he then had his work cut out for him as he tried to mobilize the organization to use the money efficiently. The same advisor also shares his belief that both businesses and non-profits are often poorly operated, but he concludes from his experience that this occurs in non-profits much more frequently:

I have one non-profit client that ...thinks like a really smart business. I don't think that non-profits should act more like businesses, because most businesses are run terribly. These guys just run it well because they're thinking about capacity building, they're thinking about the future, they're doing all the right stuff, but up until then I hadn't seen a non-profit that was doing that (Interview #11S).

Ultimately, smart operations make an effective organization, which can occur in both non-profits and for profits. But it is the starvation cycle that uses organizational bandwidth to chase money that limits operations to short term planning, making it structurally more challenging for a non-profit to operate like an effective business.

Thus B Corp leaders are not interested in the financial structure of non-profits that often have operating budgets that are inconsistent and require much bandwidth to achieve. Another reason cited for not liking the non-profit financial structure is that it simply can't bring enough money to the organization for it to operate in the industry it wants to operate in, as in the first quote below, or at the scale the organization wants to operate to make the impact it desires, as described by the second quote:

You can't work in a supermarket environment if you don't have a lot of capital....a startup NGO wouldn't be able to get the capital to do that (Interview #20).

We wanted to make a difference on the renewable energy market, and if we did this as a non-profit we couldn't raise the outside equity and scale to address the market, which is a multi-billion dollar market. We have a deep environmental ethic and want to see the world change on a massive scale (Interview #42).

In addition to challenges with the structural inefficiencies, power relations, and reduced access related to money in non-profits, leaders site frustration with the slowness of processes, especially decision making, as one of their main reasons for not being a non-profit (Interviews #11S, #2S, #17S, #5S, 24, 22). A sustainable furniture designer shares that, "a non-profit status would make (us) lose a lot of the autonomy in making decisions in the business as the proprietor. So that's not something that ever crossed our mind (Interview #24)." A public relations consultant shares her discontent with the slow workings of non-profits and echoes the earlier sentiment regarding the need to operate like not just a business, but a good business:

I have spent so much time with non-profits and for all their value, they're a slow moving bunch. There's a lot of love, not hate, but there's a lot of "c'mon you guys." That's how I feel about some of our non-profits, especially the smaller ones. They don't get out of their own way (Interview #22).

Many B Corp leaders simply believe that business is more powerful for creating impact and outcomes (Interviews #40, #17S, #11S, #5S, #9S, #2S, #42). Often they state that business and the market are powerful engines that if used appropriately, are better positioned than non-profits and government to impact change on a massive scale. This belief is best summarized by this impact investor: “the power of the free market is really powerful, as is wealth creation. (It’s about) leveraging the power of that engine and turning it into something that is directly community impactful (Interview #2S).” While this sentiment might be expected from an investor, this CEO motivated by creating sustainable food systems was similarly motivated by his belief in the market:

I believe in the mission behind the capitalistic model...if it's not polluted by greed and it's really done the way it's supposed to be. If you don't have all those subsidies and unfair trade rules in international trade you wouldn't need fair trade. Same with companies...you can be for profit and use the power to positively impact people and planet (Interview #20).

A public relation CEO describes why she sees companies as better positioned and structured to impact change on a global scale:

I really do believe that if non-profits were going to change the world I'm not holding out for that. I am holding out for the fact that business can change the world, if business does the right thing. Because of the way business operates, because of the values behind business, because communities respect business people, especially in America, businesses are brands. They are experiences. They're like your friends. They're not strange. They are a part of our world (Interview #22).

In addition to impacting “the world,” some leaders described being a business as essential to the important work of influencing the world of business since they recognize that business is at the root of many of our social and environmental challenges (#1S, #18S, #9S). An impact investor describes: “We need to control the system at the point at which it creates this inequality. Which means we need to go into the business sector (Interview #9S).”

In addition to praising the power of business, money, and markets to make impact, B Corp leaders prefer the private sector for the higher level of skill in the talent pool. Two consultants separately describe how even though they were in different industries (consulting and law) in different parts of the country, they were both advised to work in the private rather than non-profit sector to gain the best experience for skill development:

I had another mentor, right around business school, who I asked: "Should I go back and work on social change issues, should I go back and work for nonprofit issues?" She's like: "You can always do that. Go and get some skills, go to the private sector." So I went to get the experience I wanted. I always knew that I was going to come back to the work of solving some complex social issues and I wanted to see how it was done from a private sector perspective (Interview #17S).

I was at that time working in a community legal service and he said, "Don't work there, go to the corporate law firm and get those skills (Interview #18S)."

Rather than believe business is wholly better than non-profits, one perspective sees the benefits and limitations of both, and instead believes B Corp to be a hybrid that leverages the best of both worlds, and finds a middle ground between their strengths and flaws. For example, one leader recognized that while non-profits can move too slowly, businesses can move too fast: "we noticed that huge gap between what a nonprofit can do and what a for profit sometimes goes too fast to consider (Interview #34)." Another perspective sees non-profits and for profits as being *blurred*, citing National Geographic as a highly effective non-profit, which functions almost as a business. As previously mentioned throughout this section, non-profits can operate with business sensibilities, and vice-versa in many ways.

Final perspectives that address the question of why leaders decided to create or join private companies rather than non-profits have to do with personal experiences. Some mentioned that they wanted to ensure they personally made money, otherwise known as *doing well by doing good* (Interview #42, 28, #2S). Others simply stated that they had come from the world of

business, knew how business worked, and wanted to leverage this skill set for a different kind of business (Interviews #2S, #9S).

The many reasons B Corp leaders created an enterprise in the private sector boil down to efficiency, ability to make impact, and personal experience. Money is at the heart of all three. Interviewees cited the financial structure, the consistency and ability to access money, and the ability to attract and retain talent, including themselves, ultimately determined how the organization is able to function internally, effecting its ability make impact externally.

Beneath what could be viewed as non-profit bashing, there is often stated a healthy respect for non-profits, as well as an understanding that both companies and non-profits alike can have great operations and great missions, and lousy operations and lousy missions. Yet transparency and social missions are most often associated with non-profits and efficient, large scale, well-funded operations are most often associated with business. There are structural differences that do make it more challenging for non-profits to operate efficiently, and these are mainly in their limited ability to access money, attract the best talent, and streamline decision-making structures. Many challenges such as competitive pay for employees and work life balance can be addressed with a non-profit organizational culture that prizes such things. Traditionally, the profit motive and corporate structure of private companies made it challenging for a for profit organization to commit to a social mission and transparency. Again, a company can organize their structure and culture to prize such things. For the organizations that want the best of all worlds, B Corp provides a hybrid structure that takes the mission and transparency traditionally associated with a non-profit and marries it with the agility and financial capabilities most often associated with business. Should an IRS designation that provides tax breaks for B Corps come to fruition, B Corps would essentially become non-profits that commit to business practices and transparent and democratic decision making processes, with expanded missions

that include employees, community and the environment. The future of B Corp could blur the line further, and ultimately bake the best of both worlds into future organizational structures.

The following section will continue to answer Research Question #3: What ideas do B Corp leaders have, and have they implemented, for the processes, power relations, and structures required to create businesses that drive a movement toward a thriving, just, ecologically sound Blue Economy by describing the structures used to operationalize the values, ideas and beliefs discussed in Section 4.3.

### ***Making Impact, Being Revolutionary***

#### **Strategies for Influencing Industries and Regions**

The most commonly stated strategies for influencing industry included collaborations (Interviews #43, Interview #16S, #43S), sharing through media (Interview #7S, #3S, #31), measuring up to mainstream metrics (Interviews #43S, #5S, #9S), speaking/holding events (Interviews #35, #3S), and joining industry Boards, organizations or processes (Interviews #1S, #20S, #15S). The B Corp Impact Assessment Tool asks if a company has worked with policymakers or competitors to develop or advocate for increased adoption of social and environmental standards or voluntary practices in the company's industry. Extra credit is given if staff or financial support has been provided, if the company has directly introduced, testified, or made recommendations, and if the efforts resulted in a specific institutional, industry or regulatory reform.

Again, collaborations include knowing and reaching out to people and organizations that would traditionally be viewed as competition, and the B Corp Assessment Tool provides specific points for such collaborations. From my experience in the B Corp community, this is referred to as collaborating with others in the same *space* and connecting with the *regional ecosystem*. A



minimal form of collaboration occurs when companies ensure they are *on each other's radar*, meaning that they understand what the other is doing and strike up an intention for future referrals or collaborations, as well as sharing of insights, lessons, tools etc. The deepest form of collaborations I've experienced are regular meetings with others to *cross-pollinate*, meaning mentor, share the details of business models, and create strategies together. For example, while creating the ProtoHUB I reached out to Rechung Fujihara, the head of Hawaii's first successful coworking space, Box Jelly. Rechung didn't know me or the Impact Hub model, but we navigated an agreement to understand each other's niches in the Hawaii startup ecosystem and to cross-promote each other and finds ways to collaborate. He shared his lessons learned, allowing us to avoid some of the pitfalls he experienced. We also agreed to not compete on price, but to offer sufficiently different experiences so that we could serve different needs in the community. This was a key reason we started with low prices that ramped to Box Jelly's prices within nine months. We did not think that people would leave the Box Jelly community only to save money for a few months. We hoped they would only transition if we were a better fit for their long term needs. As a result, only a couple people transitioned from Box Jelly to the Impact Hub. In this way we fulfilled our agreed upon mission to grow the coworking community, rather than steal each other's Members. We also developed a very successful month long web site development training Program and held it at multiple locations throughout the startup ecosystem including Box Jelly and the Manoa Innovation Center (MIC). MIC also set up a trade arrangement where our Members are able to work out of their coworking space for free. Our Members and our Director of Operations worked with MIC to improve the layout of their space. In these many ways, our B Corp has found ways to influence our industry and Hawaii's startup ecosystem, called Startup Paradise.

Sharing through media, measuring up to mainstream metrics, speaking at and holding events, and joining industry Boards, organizations or processes are straight forward strategies and have already been thoroughly discussed so I will move onto discussing structures to measure metrics of the triple-bottom-line.

### **Metrics that Matter**

Using strictly financial metrics to measure the success of a venture might be the most dangerous human construct in history. It eats at the core of the human experience and affects the global political systems, negatively effecting society and nature from the micro to the macro. In his book *Free to Choose – A Personal Statement*, Milton Friedman recklessly uses the financial measurement of decreased prices of farm products as the single measure of success to describe the exploitive economic climate of the American Industrial Revolution:

A myth has grown up about the United States that paints the nineteenth century as the era of the robber baron, of rugged, unrestrained individualism. Heartless monopoly capitalists allegedly exploited the poor, encouraged immigration, and then fleeced the immigrants unmercifully. Wall Street is pictured as conning Main Street, as bleeding the sturdy farmers in the Middle West, who survived despite the widespread distress and misery inflicted on them. The reality was very different. Immigrants kept coming. The early ones might have been fooled, but it is inconceivable that millions kept coming to the United States decade after decade to be exploited. The country grew more prosperous and more productive, and the immigrants shared in the prosperity. If farmers were exploited, why did their number increase? The prices of farm products did decline. But that was a sign of success, not of failure, reflecting the development of machinery, the bringing under cultivation of more land, and improvements in communication, all of which led to a rapid growth in farm output. The final proof is that the price of farmland rose steadily—hardly a sign that farming was a depressed industry! (Friedman and Friedman 1979, 37)

How easy it is for Friedman to assign meaning to pure financial metrics when there is no qualitative data about many of the things of which he speaks. Imagine if these farms were measured against B Corp metrics? They would have to report the ratio of highest paid to lowest paid worker, the number of women and minorities in leadership positions, the average numbers of hours worked by employees, the benefits packages offered to all layers of workers in the

organization etc. Would Friedman's statements still hold against this broader assessment of metrics?

Metrics are at the heart of the value of becoming a B Corp. They include mainstream financial metrics, but expand the landscape to include so much more. This section discusses the history of social and environmental considerations in the business world and concludes with a discussion of the value of B Corp in this trajectory.

Financial metrics mentioned by B Corp leaders include revenue, profit, and the ability to pay employees consistently and well (Interviews #5S, #43S, #9S, 22, 24). Metrics that matter beyond these traditional metrics involve various ways of measuring the triple-bottom-line. For example, a textile B Corp CEO describes how this expansion in bottom line definition emerged in his company and how it was received:

We knew going into NAFTA that it was going to devastate our business, devastate textiles, and that's exactly what it did. So we were grappling for what we were going to do as a business...so we changed the mission of our company to be a successful company by looking simultaneously after people, planet, and profit. And then we talked about that in the south in the late 90s and people just had a glazed-over look. The focus at the time for a business owner or a business school was all about maximizing your bottom line. So we got a lot of glazed over looks, a lot of "Why would you want to do that? It's about your bottom line." So that put us on the path that we like to define as the sustainability journey, not destination (Interview #21).

Business models are talked about as a journey guided by triple-bottom-line metrics, as described by this leader: "The new economy is one that is stakeholder driven, that measures and tracks what matters to all stakeholders and what that means is a better future (Interview #34)."

Companies have driven triple-bottom-line metrics themselves, as has the investment community. B Corp leaders from the finance and investment industries described a trajectory over the past decades from single to triple-bottom-line metrics when evaluating a company. The first trend they mention was called Sustainable Responsible Impact investing (SRI), which

began in the 60's and involved creating a *negative screen* that omitted *bad* companies from investment portfolios (Interviews #12S, #3S, #30, #6S). This method screened out companies involved in various taboo activities ranging from tobacco and nuclear power to avoiding companies that were in, or worked with, apartheid South Africa (Interview #12S). Investopedia confirms that SRI began in the 60's and that it reflected the political and social climate of the time such as creating alignment with causes such as women's rights, civil rights and the anti-war movement ("Socially Responsible Investment (SRI) Definition | Investopedia" 2016). One Impact Investor described participation in SRI as a unique awakening in some people: "back in the day when this was a rare thing it came from a very deep place inside of people...it was an individual decision, almost an awakening inside of people and connecting of the dots between their money and their values (Interview #12S)." Such screening is often referenced as the first structure that influenced industries and regions to change and laid the groundwork for alternative metrics.

The trend that emerged from SRI is called ESG, which stands for Environmental Social Governance factors and is described by a B Corp impact investor as follows:

Basically, it's socially responsible investing. (ESG) has been morphing over the last 30 years and it has become something. So as the whole world has moved along in trying to understand how companies are changing, a science has kind of emerged called ESG and that's to examine the companies (on their) impact and engagement around their environmental issues, their social engagement, and their governance. It's really gotten to be quite sophisticated. You can buy this data now on any Bloomberg screen in the world. Something like a quarter of all relevant users on Bloomberg now buy this data for one level or another, increasing their intelligence of doing investing (Interview #3S).

Notice the mention of increased intelligence, which resonates with the overarching theme of thinking for the New Economy and its leaders. B Corp leaders that were involved in this emergence of ESG from SRI mention it happening in the early '90s and describe the benefits as moving from talking about what you *don't* want, to talking about what you *do* want, being

inclusive rather than exclusive, and creating a more rigorous analytical approach (Interview #12S, #3S, #6S). ESG is comprised of a number of strategies including the following list provided by the US Social Investing Forum (SIF) Foundation, the forum for SRI in the United States:

**NEGATIVE/EXCLUSIONARY:** the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria

**ESG INTEGRATION:** the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis

**POSITIVE/BEST-IN-CLASS:** investment in sectors, companies or projects selected for positive ESG performance relative to industry peers

**IMPACT INVESTING:** targeted investments, typically made in private markets, aimed at solving social or environmental problems

**SUSTAINABILITY THEMED INVESTING:** the selection of assets specifically related to sustainability in single- or multi-themed funds (US SIF Foundation 2014, 16).

Investopedia describes ESG criteria as follows:

Environmental criteria look at a company's energy use, waste, pollution, natural resource conservation and animal treatment. They also evaluate which environmental risks might affect a company's income and how the company is managing those risks. For example, a company might face environmental risks related to its ownership of contaminated land, an oil spill it was responsible for, its disposal of hazardous waste, its management of toxic emissions or its compliance with the government's environmental regulations. Social criteria look at the company's business relationships. Does it work with suppliers that hold the same values that the company itself claims to hold? Does the company donate a percentage of its profits to the community or perform volunteer work? Do the company's working conditions show a high regard for its employees' health and safety? Are stakeholders' interests taken into consideration?

With regard to governance, investors want to know that a company uses accurate and transparent accounting methods, and they want to see that common stockholders are allowed to vote on important issues. They also want companies to avoid conflicts of interest in their choice of Board members. Finally, they prefer not to invest in companies that engage in illegal behavior or use political contributions to obtain favorable treatment ("Environmental, Social And Governance (ESG) Criteria Definition | Investopedia" 2016). The US SIF Foundation's biennial report of 2014 provides many statistics on the

meaning and growth of SRI. It reports a total of \$6.57 trillion in SRI investments, with over half using negative screening and the majority (\$6.2 trillion) using ESG strategies (US SIF

Foundation 2014, 15). This represents a whopping 18% of all investments tracked in the US (US SIF Foundation 2014, 12). This also represents an overall increase in SRI investing of an incredible 44% from 2012 to 2014. Bloomberg, an industry reporter using ESG criteria, reported that from 2013 to 2014 there was a 76% increase in the number of their customers (investors for example) using ESG data to make decisions on investing, for a 2014 total of 17,010 customers (“ESG Data Usage | Sustainability at Bloomberg | BCAUSE | Bloomberg L.P.” 2016). This represents only about 6% of Bloomberg’s total clients (“History & Facts - Bloomberg L.P.” 2016). 80% of the managers reported client demand as their reason for using ESG metrics (US SIF Foundation 2014, 16).

The top shareholder resolutions filed in 2014 reveal the values linked with the money invested:



Social criteria are reported as the most prominent considerations, incorporated in the management of \$4.27 trillion (US SIF Foundation 2014, 13). In response to shareholder campaigns for better corporate governance practices, the number of US companies requiring directors to be re-elected annually increased significantly (US SIF Foundation 2014, 16). The leading ESG criteria that institutional investors considered were restrictions on investing in companies doing business in Sudan or in other terrorist or repressive regimes, followed by tobacco-related restrictions, general governance considerations and executive pay. Equal employment opportunity and diversity rose to one of the top 10 criteria for institutional investors

(US SIF Foundation 2014, 14). And calling for better corporate disclosure on political contributions became the top social priority (US SIF Foundation 2014, 5). The political significance of this private sector action will be discussed later in this Chapter. Other themes of climate change, sustainability reports (triple-bottom-line metric reporting), executive compensation (related to profit sharing), governance, majority vote (related to democracy), diversity, and equal employment all emerged in this project, further validating the relevance of these values and beliefs for the Blue Economy.

Another important insight into Blue Economy metrics is the prominence and interplay of both quantitative and qualitative data. A B Corp impact investor even refers to his industry as measuring the double bottom line of quantitative and qualitative information (Interview #6S). This does not only involve two separate types of data, but quantitative numbers are used to inform qualitative information, and vice versa. For example, an impact investor described how, since the 80s, the traditional investing industry has looked for well managed companies as an indicator of potential profit and growth, which is a qualitative assessment informing a quantitative metric. His experience is that the measurements of a company's environmental and social impact actually reflect a big picture, long term thinking management team, which in turn influences profits and growth. So the social and environmental quantitative data informs the qualitative information about the team, which in turn correlates with the quantitative metric of profits. This example shows that measurements and meaning interplay between qualitative and quantitative data in Blue Economy metrics.

This same impact investor describes the transition from the negative and positive screening approaches of SRI and ESG to B Lab's metrics:

What we used to call social screening criteria evolved over time to kind of become what B Lab is now and what GIIRS is now. It's a new way to analyze companies on a more qualitative basis. So now we're looking at policies, behaviors, practices, impacts,

attitudes, culture, and probably the most important one of those is the impact piece. Because the way companies are impacting their world, not just their stockholders, but their stakeholders...so their employees, their communities, their customers that they serve, the vendors that they work with, all matter (#6S).

GIIRS stands for Global Impact Investment Rating System, and is considered a rigorous assessment process for both companies and funds (Busenhardt and Wilson 2012). Morningstar and Bloomberg are traditional data tracking services for investors and the finance industry so I will first introduce them and then demonstrate how GIIRS differs.

Of a total of just under 74,000 publicly traded companies in the world, Bloomberg reports researching 20,000 of the most actively traded public companies and obtained ESG data disclosed by more than 11,000 companies in 65 countries (Bloomberg 2014). Data includes energy use, emissions, waste, women on the Board, and executive compensation and is collected from published company information (Bloomberg 2014). While Bloomberg reports that they have excellent algorithms and subject matter experts to review data, there is no mention of third party verification of data. When discussing their data quality on their website, Morningstar raves that nearly all its data is “collected directly from the source—not just from public filings (“Morningstar Data for Managed Investments - Data Quality | Morningstar U.S.” 2016).” The site reports that over 98% of the fund companies directly upload their portfolio information to Morningstar’s data management system on a monthly or quarterly basis. In their quality control assurance, they mention benchmarking their data against other leading data providers and looking for irregularities such as errors and omissions, but nowhere do they mention any verification of the data provided by the companies (“Morningstar Data for Managed Investments - Data Quality | Morningstar U.S.” 2016). Unverified self-reporting of company data does not only cause concern for the potential of companies to purposely provide inaccurate information, but without the feedback loop of third party verification, there may be inaccuracies the company



isn't even aware of. An independent cross-industry study revealed that 50% of companies found fixing data quality issues the most challenging aspect of data management and 92% of companies still find some element of data quality management challenging (McManus 2015).

Data collected by GIIRS is more comprehensive than the criteria listed by Bloomberg and Morningstar. GIIRS includes whether there is a feedback system for clients and employees, whether there is a 3<sup>rd</sup> party review of financial data, employee benefits, ratio of highest to lowest paid employees, charitable donations, community service hours donated, female ownership, number of female permanent employees, renewable energy use, amount of recycled/reused materials, water use, use of local suppliers, etc ("B Impact Assessment (and GIIRS Rating) | IRIS" 2016). Data is self-reported by companies and reviewed by a third-party verification service provider, Deloitte & Touche, before a company can receive a rating (Busenhardt and Wilson 2012). GIIRS provides company ratings and benchmarks performance against peer organizations in the same sector, geography and size, providing a powerful standardized tool for those interested in ESG metrics for SRI (Busenhardt and Wilson 2012). Before GIIRS, an investor couldn't compare companies on such detailed ESG metrics so GIIRS allows investors to make a sound, rational decision on comparative impact ("GIIRS Will Make More Money Flow to Good" 2016).

Outside of the investment industry, leaders claim that the B Corp Assessment Tool provides the best metrics for tracking the triple-bottom-line (Interviews #31, #41, #37). Even non B Corp companies use the free Assessment Tool. The B Corp website reports that approximately 40,000 companies use the tool, although only a small fraction have actually become B Corps, indicating that the tool is at least, if not more, useful than the certification. It is worth noting in this discussion of metrics that the Assessment provides points for impact reporting, meaning measuring specific quantifiable social and/or environmental indicators, updating them regularly,

setting public goals, publicly reporting progress, using comprehensive third party standards, receiving third party verification, and integrating impact reporting with financial reporting. These demonstrate the value of measuring metrics that matter. The metrics of the Assessment Tool are many so rather than list them here, they will be cited as they relate to the theme areas in the remainder of this Chapter.

### **Practices that Address Climate Change**

The next common practices B Corps use to operationalize the values, ideas and beliefs discussed in Section 4.3 can be categorized as those designed to address climate change. Author Naomi Klein's book *This Changes Everything: Climate Vs. Capitalism* draws a line in the sand for humanity, stating that the only path forward for our planet is to *leave it in the ground*, meaning no longer extract fossil fuels. Period. Business has been the extractor of fossil fuels, with the support of investors and the finance industry; so how realistic is it that those benefiting from fossil fuels could transition away from it?

One B Corp leader describes how something inside of him led him to leave the lucrative fossil fuel industry:

I became fairly successful at being a commodity broker, and then realized that being a commodity broker was actually kind of soul sucking work...we were selling crude oil, heating oil, natural gas, energy sector futures and so it just didn't align with my sense of purpose. It was lucrative, it made money, but it was all about making money. It didn't really have anything to do with giving back or creating a broader sense of value (Interview #2S).

He's not alone. One of the top developments between the 2012 and 2014 SRI Trends Report from the US SIF Foundation was the emergence of the fossil fuel divestment movement (US SIF Foundation 2014, 5). Here is a summary of the size of this change in the global market:

For both money managers and institutional investors, climate change remains the most significant environmental factor in terms of assets, affecting \$275.6 billion and \$551.5 billion, respectively. Fossil fuel restriction or divestment policies, tracked for the first time in 2014, accounted for \$29.4 billion in money manager assets and \$13.5 billion in

institutional investor assets at the beginning of 2014. Moreover, shareholders concerned about climate risk filed 72 resolutions on the subject in 2014, more than double the number in 2012, and negotiated a number of commitments from the target companies to disclose and reduce their greenhouse gas emissions (US SIF Foundation 2014, 16).

In addition to a change in the finance sector, individual sectors of the economy have all been touched by a move to address climate change. A B Corp impact investor uses the auto industry as an example of how businesses had to wake up to the effect of climate change on their markets and start evolving the structures of their business models:

(Businesses) are not stuck on whether they think everyone has to drive a Buick as opposed to a Prius. They kind of got it now, Detroit got its butt kicked. So now they're finally open to Americans (who) want fuel efficient cars or electric cars (#3S).

The many ways business structures help climate change fall into categories of providing products or services that reduce or provide alternatives for fossil fuel use (Interviews #11S, #41, #15S, #18, #19, #23), working with other companies and vendors that use less or no fossil fuel (Interview #10S, #11, #12, #13), reducing fossil fuel use by their operations and employees (Interview #35, #39, #40), and educating and advising others, including the public, about climate change and solutions (Interview #20, #28 #25, #30, #17S, #2S, #26, #27, #2S). The B Corp Assessment Tool provides points for companies that monitor, record, and report its energy use, with extra credit for companies that set and achieve specific reduction targets, with higher points for higher energy use reduction. There is also a specific section asking how companies track emissions, which targets they set, if they achieved them, and if they have eliminated emissions entirely.

There are many ways companies educate and advise others about climate change and solutions. For example, a B Corp leader who once did public relations for a company that produced cookies and pastries was inspired to create a new company following his desire to address climate change by consulting for corporate programs:

So now I've worked on 'how do you help companies encourage their employees to get to work in ways other than driving alone in a car of one.' Because it's like, if we're going to change behavior, let's change commuting behaviors...not breakfast pastry behavior (Interview #11S).

A food company addresses climate change by putting information about solutions like reforestation inside their chocolate wrappers (Interview #20). A number of consultants advise their clients on choices that reduce green-house gases (Interview #28 #25, #30, #17S, #2S, #26, #27, #2S). A web development CEO describes how addressing climate change drives his product creations:

Not a lot of people are talking about web sustainability but we're on track to use about 20% of global power, which could lead to...a huge amount of green-house gas emissions that come from data centers that have a huge amount of energy use. So this year on Earth Day we launched a solution, a product that actually crawls your website and identifies areas in your website that aren't very energy efficient and gives you a report for improving them (interview #41).

The B Corp Assessment Tool captures all this activity to address climate change by asking companies to report on metrics regarding green-house gases including the percentage of products and services that address climate change, the percentage of revenue that comes from products and services addressing climate change, green-house gas reductions by the company, vendor and material sourcing protocols that require reduced fossil fuel use, employee programs that reward car-pooling or alternative transport, and the distance resource materials must travel (B Lab 2014b). There are also points assigned for mission statements that include a specific positive environmental impact, such as climate change.

By creating strategies for influencing industries and regions, expanding metrics to include social and environmental considerations, and using many approaches and structures to address climate change, B Corp businesses are making and measuring impact and striving to be revolutionary. The next section will explore all the ways B Corps are using unique business structures to operationalize the common core values discussed in Section 4.3.

## ***Business Structures that Operationalize Common Core Values***

### **Integrity**

Integrity can be thought of as aligning actions with core values, and one of the ways B Corps do this is to only work with clients who reflect their values (Interview #25, #16S, #17S, #2S, #26, #27, #2S). This is often operationalized by a company policy that has social and/or environmental criteria for clients. For example, one company decided that they were not going to take on clients that were not working for good in the world, sharing that they even fired a client they had worked with for almost five years because they kept saying they would be sustainable and become a B Corp but never did (Interview #16S). Many B Corps also adhere to hiring policies based on similar criteria (Interview #42, #5S, #17S). The B Corp Assessment Tool also screens for integrity by asking questions about how the company enacts their values in every sector of the business including procuring inputs, producing outputs, governance, policies, and employees. A company must meet mandatory requirements and have a minimum score related to integrity in all sectors to become certified. In this way, only companies that are aligned with triple-bottom-line values in all sectors can become B Corps since they must be consistent and have operations and outcomes aligned in all sectors, thus baking integrity into the company structure.

### **Transparency and Accountability**

Transparency between company leaders and employees was a common theme as described by this accounting CEO:

There's a huge amount of transparency with our employees. We have quarterly retreats, we have a monthly newsletter that shows all the awesome things going on in the company including fun new projects that were just finished, what's coming down the pipeline, etc. (Interview #40).

A consultant cited transparency as a prime structural guiding principle to avoid traditional hierarchies:

Well, (the difference) is fundamental. From a consulting perspective, you have rainmakers who bring in and control the rolodexes, who control the relationships... you have such a hierarchical method of work division. That would be at your Bains or your McKinsey's or whatever. There's a prioritizing of information and sharing and who gets to do what. At (our company) we don't really have that, it's very transparent. Everyone knows exactly what's coming down the pipeline; who's paying for what, how much, who we get to pick, what deals do you get to work on. If you bring in a deal and you're not a director you can still go for it. There's a lot of transparency. There's maximum transparency about everything except how much the salaries are for all the employees (Interview #4S).

As an aside, I did not ask why salaries were not transparent and this remains my biggest regret of the interview process. Interestingly, the B Corp Assessment Tool provides considerable points for disclosing all financial information, except salary information. Additional points are earned if the disclosure happens quarterly rather than annually. Open Book Management, or the complete transparency of all financial information and the empowerment of all employees to actively participate in financial planning, earns more points. And finally, more points are earned if the company provides an educational program around the financials.

### **Diversity**

Interestingly, diversity was accomplished in most companies not due to a specific strategy, but rather due to being gender and race blind when hiring. Many leaders described their hiring process as simply looking for the best fit or the most qualified person, as demonstrated by these two leaders in very different fields. The first quote is from a financial advisor in the education field and the second quote is from the CEO of a I.T. company:

(Our staff of 40 is) approximately 75% women 25% male, only two Caucasian males, everyone else is diverse. It wasn't by design, we just kept hiring people who were best for the role and it just happened to be that way. We're about 90% diverse (Interview #40).

(Our staff of 14) is close to 50% women. This comes from being completely gender agnostic...just thinking about who is going to be the right fit (Interview #41).

No B Corp leader offered a mechanism to ensure diversity was accomplished. Many were aware and proud that they had diversity, but described that it happened organically. A 59-year-old Founder of a finance firm offered his thoughts on the nature of the organic process that resulted in 10 of their 15 partners being women:

How did we end up with 10 women in the firm? When I say there's 10 women working in the firm, they're not secretaries. So I think we must have somehow created a vibe and a culture that is open and conducive to people being heard (Interview #3S).

The B Corp Assessment Tool rewards Board representation and company ownership by women and individuals from underrepresented populations, including low-income communities. It also provides points for the use of vendors and service providers that are owned by these diverse populations.

Those that did not have diversity were also aware and were thinking about ways to become more diverse, as described by the previously mentioned I.T. CEO:

(Our staff has) only one or two minorities, that's low and we've been thinking about ways to make that better. We're a pretty specialized field and the hiring pool across the Board is smaller and we take who we can get (Interview #41). Yet they didn't want to hire specific people just to accomplish diversity. They wanted to hire the best talent for the job and were committed to not looking at race or gender when making a hiring decision.

### Democracy

Democratic structures in B Corps are often created in reaction to what was not democratic in the Founder's previous company experience. For example, one CEO describes the undemocratic nature of Board decision-making:

We have an advisory group that helps us each year. Each time I bring up becoming a Board they say absolutely not, that's what we got away from, because then you have all

these outsiders that have no idea about what's really going on making decisions (Interview #40).

There are still B Corps with Boards, but they attempt much more transparent, democratic, efficient processes than what they experienced previously as described by this CEO:

The Board, I think that's really important. The Board is a volunteer Board. Their responsibility is to set executive pay, and it's salary based and a bonus based on performance. They set that and review it. They make sure we're maximizing profit and not manipulating profit...because we give all our profits away in the life of the company. But if I take everyone to Disneyland or bonus it all out, there's no profit to share with the community, so their responsibility is that we're maximizing profits. The only way we could grow is through reinvestment. They also can decide and vote on whether some of the profits can be reinvestment for next year (Interview #2S).

Interestingly, the volunteer Board from the community makes decisions on whether distributing profits to the community or reinvesting is a longer-term benefit for the community, and the company enacts their decision. This is an incredible example of a Board structure beyond status quo. The B Corp Assessment Tool provides points for companies that have a Board that oversees expenditures such as executive compensation.

There are B Corp companies that create democratic processes that range from employee voicing (Interview #12S, #2S, #5S) to employee voting (Interview #40) to employee ownership. Most of the companies interviewed were small enough that employee voicing in the form of informal or direct democratic processes were used to make company decisions (Interview #2S, #5S, #12S). Companies that use employee voting describe relying on leadership discretion to decide what goes to a vote. Tying in the overarching theme of *thinking*, the rationale behind what is decided upon by employee vote versus what is decided upon by leadership involves leaders putting themselves in the employees' shoes and asking themselves if they would want to vote on the issue. This process of thinking that guides whether a decision is democratically voted upon is described by this financial advising CEO:



Any ideas that are big, like the annual renewal of our health insurance, we put up to a vote because it's affecting everyone in the company. (We don't vote) any time we add new benefits, we just confirm that they are interested because we're not interested in setting up something they don't want. There's a lot that goes up to vote, but if we put everything to vote nothing would get done (Interview #40).

An example of where the value of democracy can lead a large enterprise is the company Semco, which, "treats its 800 employees like responsible adults, including allowing them to set their work hours, access the company books and vote on important corporate decisions (Semler 1989, 2)." Semco bases 30 management programs on three fundamental values including democracy (employee involvement), profit-sharing, and information (Semler 1989, 3). This greatly changes the power relations between workers and authority in many structural ways. Without adjusting their personalities or the personalities of their leadership, the 70% of workers that are usually silenced by their less forthright personalities are formally encouraged and socially reinforced to share their points of view that are of service to the organization. This allows for the important recognition and discussion of failures that are key to the evolution of a company (Parson and Keyes 2003, 35). Semco will not hire or promote anyone until they have been interviewed and accepted by all their future subordinates and subordinates regularly evaluate their managers and anonymously fill out a questionnaire answering questions such as what it would take to make them quit or go on strike (Semler 1989, 4). These internal structures engage employees in democracy for decision-making. This case study is included as a potential model for B Corps as they grow.

B Corp companies have set up their business models on the core value of democracy in a variety of ways. For example, one company distributes its profits democratically:

Non-profits compete for the funding from us, so a non-profit will solicit us. You'll fill out a half page application and you'll say we'd like to be considered for a donation in the San Diego distribution. So if we get a 100 different organizations, those organizations will be vetted for us by the San Diego Community Foundation, which will confirm that the

organization is an authorized non-profit, that they have a local influence, that they're not a church and they're not a lobbying group. Those are our four criteria. So if you meet those four criteria you can get on a ballot, that ballot will go to every customer, and we tell the customers to copy it out to their employees and each person gets 10 votes. We capture all the votes. And if 10% of the total votes go towards the Women's Cancer Research Center, then 10% of the money allocated for that ballot will go to the Women's Cancer Research Center. It's a simple business model (Interview #9S).

Another CEO describes his democratic business model as follows:

We're kind of in the crowd-sourcing world. We're asking businesses to offer up what they're doing, their projects, their business to their community and their community decides whether it gets funded. Our perspective is that businesses that aren't offering something of real value to their community won't vote for them with their dollars. It's (the community's) money. We sell \$50 squares that are representing a \$50 chunk of a much larger loan of say \$20,000 for a business. We're crowd funding loans for small businesses and people are repaid as the business repays the loan to us. It's their money at work. We don't have any capital or any money in the game (Interview #14S).

From business models to internal structures, B Corps engage their employees, clients, and various forms of community in democratic processes. Since ownership implies having power in governance and sharing in risk and benefit, employee ownership would be the most democratic business structure, but no B Corps interviewed were offering employee ownership.

Some were considering it, as described by one CEO who mentioned it as a distant goal:

Right now the business is 100% owned by me. We've talked about how we can change this. Because of the number of new employees we have, it's hard for someone who's owned the company for sixteen years to open the company ownership to someone who's been there for six months. That's something we're struggling with...how to give everyone skin in the game. For right now, that's profit sharing (Interview #41). Yet there are considerable points in the B Corp Assessment Tool for co-op businesses, especially those that elect a Board from the co-op membership. The value of employee ownership was a rare one in the interviews, but it is still highly rewarded by the B Corp certification for those companies that make it happen.

Outside of employee ownership the inclusion of employees in governance and profit sharing was widely mentioned, so democracy is not dead in the B Corp community. It seems that these

businesses are striving to find balance between the autonomy and power of business leaders like CEOs (Kings of their own kingdoms) and the inclusion and transparency of democracy (where employees and the community have an equal voice).

### ***People and Relationships***

People are at the center of the B Corp certification not only ideologically, but also legally. The B Corp certification process requires companies to amend their governing corporate documents to state that the managing member shall give due consideration to the communities and society in which the Company or its subsidiaries operate (B Lab 2014c). Besides this high level, legal commitment, B Corps have many structural means of operationalizing their values around people and relationships, as described in the next few sections.

### ***Employees First – Company Culture, Profit Sharing, Employee Ownership***

Many B Corp leaders describe policies and structures within their companies aimed at making employees feel valued and like family:

We have forty employees and have a book club, a writing club, it's really like this whole family feel. When people get married, or have commitment ceremonies for same sex couples, we give them the week off for their honeymoon. We went mini golfing on Friday afternoon and we go on quarterly retreats (Interview #40).

The result of these policies and activities is the creation of a corporate culture where employees feel valued and respected.

The second most mentioned structure within B Corps that puts employees first was employee profit sharing. Some B Corps were set up with this structure, while others waited until there were sufficient profits to do so:

We have profit sharing, which we launched last year. We've been profitable since day one, but last year was comparable to such a degree that we were like, let's institute this new plan (Interview #40).

The Assessment Tool awards points for many areas that value employees. Some relate to employee financial health including profit sharing, retirement planning and matching, and a low ratio between the highest and lowest paid employees to ensure employees are getting a fair share of the pie. Others relate to employee wellness including employee benefits, insurance, minimum copayments, low out-of-pocket maximums, family coverage, and specific transgender healthcare coverage. Employee development is also valued with points for peer feedback processes, guidance for career development, and clearly identified achievable goals. Value is also assigned for various levels of measured employee satisfaction and engagement. Written employee policies that include statements on work hours, pay and performance protocols, grievance resolution processes, and sickness and leave allowance earn points and provide clarity, consistency and respect for employees. And finally, the Assessment Tool asks if the company solicits specific feedback from its employees regarding the company's social and environmental performance and has an employee governance structure such as an employee advisory Board (B Lab 2014b).

### ***Community and Clients - Benefiting The Greater Good***

Structures designed to benefit the greater good include business models that have the prime focus of solving environmental problems, such as an engineering firm that specializes in water and energy efficiency (Interviews #15S). Other models aim at solving social problems, such as a real estate firm run by a former social worker that provides the financial and physical infrastructure for community economic development. Here is a summary of this business model:

We took older buildings that are often demolished or unused or whatever, we first of all renovate them in a responsible eco-friendly manner, second of all we create small spaces for small and medium businesses. Big business is getting slaughtered and they are laying off 1500 people at a time. So where are all these people going? Well, they're

going on unemployment, which you can't do forever, and if they fall through the cracks they go into welfare. The problem is that these people have expertise, right? So as a society we're really not benefiting from all that investment that we created in training them. So a lot of these people are launching themselves into new companies, so we decided to create a real estate company that you could come, try your business, have flexible short-term leases, as well as loans. We go from incubating someone who just started their business in their basement all the way up to 200,000 square feet with 3,000 employees. So we run the gamete, but what we do is allow the little companies to grow (Interview #5S).

Others have created media and event channels that share, model and connect impact trailblazers with their industries and the public (Interviews #31, #4S, #3S). Many models give back by sharing 10 to 100% of their profits with the community (Interviews #5S, #9S, #3S, #2S, #43S, #41), providing pro bono services (Interviews #11S, #12S, #28, #3S, #2S, #41, #4S, #39), allowing employees to volunteer on company time (Interviews #5S, #39, #14S), focusing on underserved populations (Interview #31, #5S, #32), using the services or products from companies, including banks and insurance companies, demonstrating ethical social and environmental activities (Interviews #1S, #20S, #31, #35, #5S) or using services or products from companies in the local region (Interviews #22, #24, #23, #10S).

Here are a couple of quotes that demonstrate the thinking of many interviewees:

We talk a lot about how we can be a better community member, like sponsor farmers' markets, donating time, or building free websites for someone (Interview #41). One of the things we're focused on right now and have been since the business started, is impacting the local economy. We try and source everything within the region and for other materials we need to bring in we try to maintain a 500 mile radius of our facilities (Interview #24).

Hence, one of the most prominent themes in the interviews include discussions on how B Corp leaders are constantly trying to figure out how to support and do better for the community and how to give back. This is captured in the B Corp Assessment Tool, which assigns value based on the percentage of revenue donated to charity by the company, with additional credit

given for written policy on charitable giving including company goals, employee volunteer time, the company's formal donation commitment, matching workers' charitable donations, and allowing workers and/or customers to select charities to receive the company's donations. Points are also earned for working with a community bank, especially if it is a B Corp, a member of the Global Alliance for Banking on Values, or is a certified community development financial institution (CDFI), which provides credit and financial services to underserved markets and populations. There are many questions regarding the significant suppliers to the company including asking what per cent are majority owned by women, from individuals from underrepresented populations, independent, located within 200 miles of where the end product is used, screened for negative practices such as child labor, or screened for positive practices beyond what is required by regulations such as environmentally-friendly practices.

Giving back to community and clients and benefiting the greater good are perhaps what is most unique about the mission and operational structures of B Corp companies.

### ***Work Life Balance***

The mission, structure, and culture of an organization in many ways influence the employee experience, but how these combine to color the relations between employees and authority may be one of the most significant components influencing our entire experience of work. As described previously, many organizations limit work hours to forty hours per week and create a culture where the expectations are clear, with both employees and clients, that work is to be avoided on evenings and weekends (Interviews #17S, #13S, #2S). Other company cultures value giving employees time for life outside of work including vacations, sabbaticals, family time off, and time off for milestone life events like marriage as previously mentioned (Interviews

#10S, #15S, #17S, #19S, #22, #5S). Some companies actually provide incentive structures that support employee wellness, as described by this CEO:

We have quarterly fitness challenges: If individuals exercise 5-9 times in a month, they get an extra \$25 in their paycheck, if they do 10-14 it's an extra \$60, if they do 15 times or more they get \$100 dollars because we value fitness (Interview #40).

With such incentives, work time boundaries, and time allotted for life outside of work,

company cultures institutionalize norms of valuing the person who exists outside of work as much as the person who shows up for work.

### ***Valuing the Market***

One finance CEO describes how we shouldn't 'throw out the baby with the bath water' when it comes to the market, advocating that it's a useful machine that can be transformed to function more beneficially:

I think we have to admit as a group that capitalism is nothing more than an optimization mechanism. The question is: what is it trying to optimize? We have to make sure that the optimization standards make sense and are coherent relative to the goals relative to sustainability (Interview #12S).

The operation standards are what structures the market as a useful machine for good. This includes many things discussed so far including using ESG and GIRS standards to govern how companies operate. Those standards are guided by the values previously discussed including integrity, transparency, accountability, diversity and democracy. Essentially, if the structures discussed in all five previous sections are instituted by companies and overseen and verified, the market would move toward being a valuable mechanism for operationalizing the values and triple-bottom-line goals of the Blue Economy.

### ***Bringing it All Together – Collaboration***

Collaboration is the core concept that ties all the other guiding principles together since it is touched upon by every value, idea and belief discussed previously. Structures that result in

collaboration come in many forms. Structures for collaborating with industry and regions include joining certification communities like B Corp and Fair Trade (Interviews #1S, #20, #35), joining and creating industry and regional organizations and working groups (Interviews #1S, #12S, #18S), and branding local collaborative business ecosystems like Silicone Valley, or in Hawaii, Startup Paradise (Interview #5S, #31).

Collaboration in the form of direct mentorship between companies occurred more informally in B Corps (Interviews #32, #7Sa, #7Sb). But B2B (business-to-business) mentorship for triple-bottom-line outcomes has been institutionalized by organizations such as the Unreasonable Institute, which was mentioned in the interviews since a number of B Corp leaders serve as mentors for the organization. The Unreasonable Institute's published vision is of a world in which any entrepreneur tackling the world's greatest problems can access the people and skills they need to start and scale their company ("We Believe | Unreasonable Institute" 2016). This vision is built upon the philosophy by George Bernard Shaw that the reasonable man adapts himself to the world; the unreasonable one persists in adapting the world to himself. Therefore, all progress depends on the unreasonable man (& woman) ("We Believe | Unreasonable Institute" 2016). The core values of their organization include humility (treat others like the Messiah), truthfulness (be militantly transparent), courage (lean into fear), experiment (be agile), impact (do what works), execute (get shit done), celebrate (remember to dance) ("We Believe | Unreasonable Institute" 2016). Many of these values reflect those discussed by B Corp leaders. And at the center again is collaboration as the core mechanism for enacting the values and accomplishing the vision since the Institute is most known as a clearinghouse that connects mentors with those who want to be mentored.

Many of the mechanisms discussed so far in this section also reflect collaboration. The metrics recorded and shared by the B Corp community facilitate collaboration since they serve



as benchmarks, industry norms and standards, and also track combined efforts towards important common goals like reducing emissions to address climate change. Processes for transparency and democracy discussed earlier, including open book policies and employee voting, are in themselves processes for fair and inclusive collaboration. And by structuring collaborative teams, B Corp companies leverage collaboration as a core concept that delivers results for the companies' goals of benefiting the greater good (Interview #4S, #6S, #24).

A *flat* organization is one where the distance between the top management and the lowest ranked staff on the organizational chart is minimized and usually only two or three layers deep. This structure lends itself to an internal network rather than a hierarchy fostering internal collaboration, as described by this leader:

We have a pretty flat governance structure. Everybody's opinion is heard and matters and we make sure that we build enough meetings and enough conversations and communication in all the things that we do so it's a much more democratic way of running a business, even though at the end of the day it's my signature on the contract (Interview #41.)

The final nuance regarding collaboration that emerged from the interviews was interdependence and it is operationalized in the B Corp community by requiring all B Corps to sign the B Corp "Declaration of Interdependence," B Lab's vision for a new sector of the economy, which is based on the following truths they hold as self-evident:

That we must be the change we seek in the world.  
That all business ought to be conducted as if people and place mattered.  
That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all. To do so requires that we act with the understanding that *we are each reliant upon each other and thus responsible for each other and future generations* (B Lab 2014a).

Structures for collaboration are thus the foundation of the companies and the B Corp community.

#### 4.9 Theory for Creating the Blue Economy

This section will discuss the theory that has emerged from this research related to creating the Blue Economy. Most importantly, collaboration emerged as a central theme that touches on all other themes in both the literature and the data. As such, I am renaming the Blue Economy the Collaborative Economy for the remainder of this project. This new naming imbues the perceptions, decision-making, and ethos of the triple-bottom-line economy with the overarching theme *collaboration* providing much more meaning than the word Blue.

The theory that has emerged for creating the Collaborative Economy from this research includes three overarching goals and seven guiding principles, with sub-themes included in their descriptions. They have been created from the literature review and the data combined. The frequency and meaning of each theme directed their organization within the theory. The goals are ordered beginning with the goal for the big picture, then for the company organization and purpose, and finally for the personal experience of work. The Guiding Principles are organized in the reverse order providing guidance for the company's internal operations first, so that they may build a solid foundation to use the remaining Guiding Principles for their outward work. The theory is structured such that if a company follows the Guiding Principles they should accomplish the three Overarching Goals for the Collaborative Economy.

#### ***Overarching Goals for the Collaborative Economy***

##### Interconnect Ecosystems and Collaborate

Description: Recognize that all people, companies, and markets are interconnected so use the example of nature and find ways to connect and create ecosystems of relationships. Interconnected ecosystems honor each participant for their niche and form unique collaborations and relationships of interdependence rather than hierarchies.

### Values Direct Profit: Benefit the Triple Bottom Line of People, Planet and Profit

Description: Business, money, and markets are to be used to create and scale benefits for employees, clients, community, the environment and profits *simultaneously* where all are equal shareholders and benefit with minimum or no trade-offs.

### Live – Work Balance

Description: People, purpose and meaning are at the heart of business. Company structures are aligned with employee purpose, meaning, wellness and balance with non-working life.

### ***Seven Guiding Principles to Accomplish the Overarching Goals***

#### Act in Integrity: Empower instead of Exploit

Description: How you do anything is how you do everything. All processes and relationships of the company should align action with values of respect and empowerment for all, which includes not having, and not participating with those who have, exploitive practices.

#### Transparency and Accountability

Description: Cultivate trust with your business partners, employees, clients, and the community by being accountable and transparent with them. If you are not comfortable with telling people about what you are doing, you probably shouldn't be doing it. Measure and transparently report all the metrics that matter including metrics for people, planet and profit.

#### Include All Real Costs

Description: Include the cost of fair wages, pollution and other usually externalized costs in your business model.

#### Democracy

Description: Where all stakeholders, including employees, clients, and the community, would like to be involved and will be affected by a decision, they should be included in an efficient, democratic decision making process.

### Diversity

Description: Diversity in gender (especially women in leadership), ethnicity, age, and perspectives should be engaged at every level of the organization.

### Create Impact for the Greater Good

Description: Create outcomes that benefit society and the environment, especially to reduce green-house gas emissions, and influence your industry and regions to do the same.

### Create a Legacy

Description: Put structures in place that allow your company to evolve and stay relevant and viable, yet ensure its triple-bottom-line purpose and structures stay intact over time and through leadership changes.

It is worth noting that *the collaborative economy* is sometimes used to refer to the *sharing economy*, defined by the sharing of human and physical resources without the exchange of money. Since *sharing economy* is used much more often than *collaborative economy*, and because this theory can be inclusive of the sharing economy, I still choose to use this terminology and to expand its definition by the three overarching goals and seven guiding principles described above.

## **SECTION III: ASSESSING B CORP AS A MOVEMENT AND EXPLORING ITS POLITICAL SIGNIFICANCE**

B Lab would like B Corp to be a powerful movement in creating a future stable and sustainable triple-bottom-line economy where environmental stewardship and social equity are woven into the structure of a prosperous economy for all. This vision represents an unprecedented paradigm shift on a global scale, challenging entrenched interests and structures found in every business, community and government on Earth. Such a globally systemic undertaking requires more than a disjointed effort no matter

how massive. Just as B Lab advocates, such a transformation requires an organized, mobilized and powerful cohesive movement.

Movements such as Occupy Wall Street have previously taken center stage in media, yet are often criticized for being disorganized and lacking leadership or a guiding agenda. Networks of global justice organizations work to influence governments and multi-national corporations, striving to foster or demand social and environmental responsibility in policy and action. While not as sensationalized as Occupy, they are still represented in the media and show up, at least in some capacity, on the radars of those they attempt to influence. Much like Occupy, critics claim their efforts are superficial and incoherent, while supporters advocate that their mature ideology and coherent political belief system are creating impact (Steger, Goodman, Wilson, 2013, 61). Whether these movements are coherent or disjointed, trivial or powerful they have one important uniting attribute: in varying degrees, they are visible. They have been discussed through academic discourse, written about in peer review journals and sensationalized in mainstream media.

What is missing from the visible landscape of movement builders working toward the paradigm shift for the Blue Economy is what seems to be an entirely separate movement of individuals who are not only striving to influence major players in the market economy, they are striving to be those major players. Business leaders around the globe are creating companies and multi-national corporations that aim to change the economy by using the force of business for good and are certifying their companies as B Corps. Occupy participants would view them as unlikely agents in transforming the economy since companies have been demonized as the root of the problem, and since they have the most to gain from the status quo economic structure. Yet B Corp attempts to prove that business can make social and environmental impact. While individually these businesses may provide interesting case studies in their region

or industry, by uniting together they are attempting to build a movement that has the potential to impact all sectors of the global economy.

Critical blogs about the B Corp certification with titles like “Hope or Hype” and “Green Smoke and Mirrors” doubt that B Corps have any true capacity to create impact. They question whether the businesses are truly creating triple-bottom-line benefit and whether a collective of B Corps can create an impactful movement to evolve the larger economy. As with the start of most movements, the real outcome is far from being realized. Yet over 1000 businesses are participating as B Corps and their leaders are gaining insight into the potential of what being a B Corp means for their businesses, communities, industries and the greater economy.

All but a handful of interviewees view B Corp as a movement, with the others stating that they don’t know or think of it as more of a club. Since the vast majority of interviewees agree with B Lab that B Corp is a movement, the remainder of this section will describe frameworks for assessing social movements that begin with the last few decades of transnational movements leading up to a modern assessment of current social movements. These frameworks will then be used to explore the strengths, weaknesses, opportunities and threats of the B Corp movement as described by its leaders.

#### **4.10 Frameworks for Assessing Social Movements**

##### ***1. Building on Transnational Social Movements***

While forms of international mobilization such as missionary work or the antislavery movement have existed throughout history, social movement expert Sidney Tarrow emphasizes that the increased mobility of people and information facilitated a wave of transnational activism in the late 90’s that connected an unprecedented broad spectrum of ordinary people and elites to the burgeoning wave of globalization (Tarrow 2005, 5). The 90’s saw pockets of individuals

and groups join forces to resist advancements of the neo-liberal agenda in various parts of the world. The efforts of the decade culminated in the December 1, 1999 “Battle of Seattle,” when 50,000 protesters blocked access to the conference center stalling World Trade Organization (WTO) negotiations, catapulting the transnational activism movement into world news and inspiring international support in the form of numerous counter – summits and protests following the same model (Pleyers 2010, 5). Sociologist Jackie Smith summarizes this global struggle as one between two transnational networks with opposing visions: the neoliberal network rich in material resources driven by the needs of increasingly globalized capitalism and a democratic transnational network of citizens and workers powered by its ability to challenge the legitimacy of dominant institutions and corporate actors with the arguments that expanding global markets generate a host of ecological problems, exacerbates social inequalities, and threatens traditional cultures (J. Smith 2008, 4). Interestingly, the B Corp movement that is comprised of corporate actors defines itself as operating against many of the same issues, making these earlier movements highly relevant when assessing B Corp as a movement.

The transnational nature of these movements represented something more richly nuanced than international action. They went beyond a national sense of patriotism and identity and reflected an interconnectedness and collaboration between those that usually operated from different sides of a boundary. Since B Corp also aims to be a transnational movement of companies working beyond borders to affect the global economy, it is again useful to look at these earlier transnational movements, which also aimed to unite global action for a transformative economy. The remainder of this section describes useful insights into social movements extracted from transnational movements that began in the late 90s. They are described beginning with global and moving toward individual levels of impact.

*Political Process* scholars view global movements as a repeated pattern where social movements not only focus on attempting to influence national political processes and organizations; they increasingly move to focus on international organizations (McDonald 2006, 19; Tarrow 2005). Tarrow states that one of the key ways that transnational activism has expanded has been their combined focus on the international institutions that enshrine neoliberalism including the International Monetary Fund, the World Bank, and the World Trade Organization as targets of resistance (Tarrow 2005, 6). McDonald states that these international organizations constitute a new international “political opportunity structure” (McDonald 2006, 19). This approach essentially views global influence on global institutions as a larger-scale replication of national influence on national institutions.

Other scholars contest that simply extending the dynamics of national social movements to a context of transnational action is insufficient to capture the fundamental novelty of the transnational mobilizations that began in the 90s (Della Porta and Marchetti 2007, 30). Tarrow’s *Scale Shift* approach emphasizes that as contentions move from the local to the global or the global to the local levels, there is not simply the reproduction, at a different level, of the claims, targets, and constituencies, but rather that new alliances, targets, and changes in the foci of claims and perhaps even the production of new identities (Tarrow 2005, 121).

Other scholars emphasize that regardless of where the contention began the exploration must stay centered on the fact that the movements are uniquely *global* in relation to the issues they address, the political centers of power they challenge, and the way they are constituted and operated (Della Porta and Marchetti 2007, 30). This approach, which I’ll call *Global Polity*, explores the significance of movements through the lens of the global sphere of politics, which



unlike the national sphere, is void of a universally coercive power of law and democratic processes of participation, deliberation, and voting (Della Porta and Marchetti 2007, 30).

Still yet another approach exists outside of the US, where political processes are not as clearly structured resulting in social movements that are not focused on influencing the political system. Rather, they mobilize to address issues of social class and class structure such as in the European labor movement (McDonald 2006, 24). While this lens, which is characterized by the *Labor Movement*, views movements as apolitical, I argue that they still have political significance. Political ideologies are comprehensive belief systems comprised of patterned ideas and values believed to be 'true' by significant social groups (Manfred Steger, Goodman, and Wilson 2013, 4). So as social consciousness evolves, so does political ideology, and groups that did not intend to influence politics may actually create meaning that influences political power.

Finally, social scientist Geoffrey Pleyers summarizes that for the most part, alter-globalization alternatives are elaborated through two paths: economic and legal measures at the level of global institutions (as in the Political Process, Scale Shift and Global Polity approaches) and by personal transformation through daily actions that model local change in everyday life (Pleyers 2010, 227). This philosophy advocates that it is in transforming ourselves, in changing our relationships and our concrete spaces for living, that we will change the world (Pleyers 2010, 99).

## **2. A Useful Framework for Assessing Modern Social Movements**

This section merges the lenses for viewing global social movements described above with current research around modern social movements to create a useful framework for

assessing B Corp as a movement. Modern movement research is highly relevant since many current movements rely heavily on social media and internet connectivity, which was not as readily available at the time of the earlier social movements described above. Current social movements also differ from earlier movements in that they are often led by non-profit or for profit organizations, again making them highly relevant to the B Corp movement, which is led by B Lab. Interestingly, much of the insights into the impact and significance of earlier transnational movements is not lost in modern movements, but strategies leverage technology and organizational leadership to *build upon* what worked in earlier movements. This section begins with a discussion of the most current and thorough modern movement research and then incorporates lessons from earlier transnational movements to create a movement assessment framework.

The most recent published research on modern social movements for good was published by Derrick Feldmann in 2016 who has worked with companies and organizations such as AT&T, Facebook, BMW, PBS and the Case Foundation to understand how the next generation of donors, activists and employees are redefining working for a cause, especially focusing on the question of whether and how organizations are taking advantage of today's heightened interest in causes to better serve their constituents. His key premise is that modern social movements operate within a new paradigm, which changes how movements are created, why people get on board, and what strategies and networks create success. In his 2016 book, *Social Movements for Good...How Companies and Causes Create Viral Change*, Feldmann summarizes interviews with key leaders behind current social movements, as well as the individuals who responded and engaged in these movements, and ultimately uncovers the approaches that made them fail and succeed. Here is a summary of his findings, bolstered by

findings from earlier transnational movements that can be used as a framework for assessing B Corp's current and future potential as an impactful movement.

Feldmann defines a social movement as one that supports the interests of the people who's lives are effected by the issue, and who are unable to overcome this issue without additional support. His key focus in assessing a movement is on exploring the collective will of the people engaged in the movement over any one agency or organization within or leading the movement. By synthesizing Feldmann's research with lessons from transnational movements I created nomenclature for the stages of a successful modern social movement. For each phase I capture the key description, what causes failures, and what catalysts are needed for moving to the next stage and for sustained impact.

#### Four Stage of a Modern Social Movement

##### 1. Create Awareness - Get People to Feel a Part of Something Through a Viral Effect

b. Phase characteristics – Feldmann describes that this is the phase where people begin to feel a part of something. The movement is at this stage when participants reference 'involvement' or 'awareness' statements over 'ownership' statements. Empathy is often used to pull people into awareness. The issue is still externalized for the participant.

c. Catalysts- Strategies to spread ideology are of paramount importance and, as was learned from transnational movements, can include *information politics* and *symbolic politics*. *Information politics* is the ability to quickly and credibly generate politically usable information and move it to where it will have the most impact (Keck and Sikkink 1998, 16). *Symbolic politics* is the ability to call upon symbols, actions, or stories that make sense of the situation for an audience that is frequently far away (Keck and Sikkink 1998, 16). Whichever approach is taken, it

is important that the tactic adequately expresses the ideological message such that it can be grasped and used by diverse groups (Manfred Steger, Goodman, and Wilson 2013, 75). Feldmann describes that most modern movements are led by an organization that using social media and online communications through e-newsletters, google groups, and facebook to create infrastructure that gets people to take part. He also emphasizes that this can include creating a symbol, hash tag, initial events, or an experience.

- d. Signs of Failure-Feldmann characterizes this phase as 'social conversation' rather than 'social action.' 'Hash tag movements' raise awareness, but can also lead to 'slacktivism,' where the energy of participants is engaged, but doesn't propel meaningful action. 'Slacktivism' could be thought of as a form of 'false work'. In engineering the equation for work is  $W = F \times d$ , meaning the amount of work completed is actually the force (or applied energy) multiplied by the distance travelled (another definition of movement). So if there is zero distance travelled (action), there is no real work. Feldmann emphasizes that this stage cannot depend on technology alone, it must have on the ground organizing. This echoes learnings from transnational movements that emphasize the need for arenas where "new culture and political meanings are produced, dissent is made possible, and direct action can be imagined" (Juris 2008, 201). The participant needs to have "an experience of encounter" including healing, touching, hearing, feeling, seeing, and moving (McDonald 2006, 37).

## 2. Create Belonging – Collective Action

- a. Phase characteristics – This stage is much like the alter globalization protests, where participant undergoes a visceral experience while feeling solidarity, danger, uncertainty and play, which also allows the participant to integrate new political identity and commitment (Juris 2008, 126). A person may show up to an activity or protest from a moment of empathy, but the act of participation transforms them into a sense a belonging. A new realm of action is open to the participant from the process of feeling more human (McDonald 2006, 103). As the participant is transformed their renewed sense of identity infused with ideology may inspire them to argue, persuade, strategize, document, lobby, pressure, and complain, all of which could result in political influence (Keck and Sikkink 1998, x). Feldmann echoes this phase of movement building by emphasizing the need for people to start doing things together, and their action is the result of belonging, much like the experience of group protesting. He points out there is an early stage within this active participation where the participant feels little ownership, meaning there is awareness around the issue, but not necessarily caring. Action can be spurred by empathy, but this action is impulsive as it feeds into a moment of empathy rather than deeply held beliefs. This is an interesting distinction where Feldmann emphasizes that something more must happen for the movement to live on, which is discussed in the next section.
- b. Catalysts- Feldmann describes that activities can be inspired by the passion of the leader and cues from the organization. For example, the ALS Association ice bucket challenge was not started by the organization, it was started by passionate people who cared about ALS (Amyotrophic lateral sclerosis) and

created something that went viral AND had people participate and feel like they belonged. The campaign challenged participants to dump a bucket of ice water over themselves and then send a video of the experience via facebook to two friends challenging them to do the same to raise awareness around ALS. This raised a lot of 'belongers' engaged in collective action and donations to the ALS Association rose from \$20,000 one day to \$11 million the next day. This funding came from those who participated to belong, but not necessarily because they understood or believed in the cause.

- c. Signs of Failure –He emphasizes that participants can't hedonistically focus on their own experience to the point of neglecting the overarching goal of the movement (Pleyers 2010, 55). Feldmann emphasizes that if the organization leading the movement's activities focus energy around the organization or the leader rather than the people themselves, it will be difficult to get them to take action together. It's critical to move people out of the state of awareness into action.

### 3. Create Belief and Ownership - A Movement Rises Up

- a. Phase characteristics –Feldmann characterizes this phase as occurring when collective power comes from shared ownership. This phase must move participants from acting from a sense of belonging, to acting from a sense of ownership and believing. Pleyers' insight into alter-globalization movements pointed out that it was not experience in and for itself which lied at the heart of subjective influence but experience linked to the will to become an actor (Pleyers 2010, 104). This resonates with Feldmann's emphasis that at this stage, the

issue is internalized for the participant. The movement is at this stage if participants speak of their involvement using “ownership” or “I believe” statements. This is the most difficult step. It’s easy to be a ‘belonger’ and much more difficult to be an ‘owner’. So rather than belonging to the movement, participants are being the movement.

- b. Catalysts- Feldmann also emphasizes that if an organization has been leading, individuals must take the words of the organization, and make it their own, sharing it in their own words, organizing for themselves, not the organization. This is the moment where the organization says to those who belong, it’s time to take our resources, our brand and logo and self-organize together. The organization or leader(s) must move to the background, they must let go. The message from the organization needs to elevate the power of the individual above everything else. Example statements include “without your involvement, the movement wouldn’t continue” and “we like you, believe in this issue.” These foster ownership.
- c. Signs of Failure- Failure of the movement at this stage can occur if cues from the organization are still required for continued action by the participants, or if the organization tries to stay in the power position and won’t let ownership happen. Also, the organization might have been motivated by trying to raise a lot of money in the short term so they generated awareness and belonging without a plan to integrate beliefs and sustained action. This was the case in the ALS ice bucket challenge. Once the bucket was dumped and the video was forwarded, participant action ceased. Ultimately, the participants must independently maintain counter-publics that foster action, communication, and connection.

#### 4. Support Consistent Action - Sustaining the Movement

- a. Phase characteristics – Feldmann describes that there must be consistent and continual action going forward to sustain the movement beyond empathy and one-off actions. Participants must act from an ingrained belief system. Core participants would put up a fight for the movement and would miss it if it folded. Lessons from transnational social movements emphasize the need for arenas where “new culture and political meanings are produced, dissent is made possible, and direct action can be imagined” (Juris 2008, 201). Anthropologist, Jeffrey Juris calls these spaces where oppositional identities, discourses, and practices are produced and through which they circulate the “transnational counterpublics” (Juris 2008, 201). Such spaces create the opportunity to contest the status quo and envision alternatives. This perspective of the transnational global activist network challenges the view that social movements are simply an expression of social strain or dysfunction. Rather, it positions movements as the rational action of excluded groups with a unifying belief system seeking to achieve political outcomes (McDonald 2006, 20). Maintaining a space of global communication and connection free from oppression is critical for the survival of the global polity participating in the movement where the world’s citizens are allowed to participate on a global level.
- b. Catalysts- Feldmann confirms that there should be no further action required by the organization for the movement to sustain itself. Rather, the movement players are continuing to participate and often forming more and more alliances. Since the messages of a movement spread more easily amongst broad – based coalitions, lessons from the alter-globalization movement show that it is



invaluable to form alliances with partner organizations that share the same values (Manfred Steger, Goodman, and Wilson 2013, 76; Keck and Sikkink 1998, 30). Transnational activism maintained their momentum by educating, engaging, and transforming individuals and mobilizing citizens in protests and campaigns. There must be self-directed continued action by participants.

- c. Signs of Failure – While Feldmann does not describe characteristic signs of failure at this stage, I propose that damage to the brand including negative associations with the symbols, hash tag, events, logo, etc. could create doubt and disband the movement. From the alter-globalizations movements, the movements failed when there was no longer organized political action centered around the World Social Forum. While the WSF continued, activity continued, but when that counter-public ended, so did the momentum of the movement.

Ultimately, the experience of participants of the group needs to move from being a part of the movement, to belonging, then believing, then owning. If an organization led the movement, the organization needs to move participants through these stages, and then step away and let go.

#### **4.11 Strengths, Weaknesses, Opportunities and Threats (SWOT) of the B Corp Movement**

A SWOT Analysis is a framework used to engage stakeholders of an organizational entity in assessing the strengths, weaknesses, opportunities and threats of the entity. In this case, the entity is not B Lab or the B Corp companies, but B Corp as a movement. Strengths and Weaknesses in a SWOT analysis are internal to the entity. They are not influences or attributes from the outside, but are part of the internal operations and identity of the entity being considered. Opportunities and Threats are external, but influential, to the entity being

considered and may include the state of the economy, competition, policies etc. The remainder of this section will discuss the strengths, weaknesses, opportunities and threats articulated by B Corp leaders for the B Corp movement organized through the lens of the framework on modern social movements developed from Feldmann's research.

### ***B Corp Strengths***

#### *Stage 1: Get people to feel a part of something – A Viral Effect*

Recall that at this stage an organization is often required to create an infrastructure that gets people to take part through *awareness* and can include creating a symbol, hash tag, initial events, or an experience. B Lab plays this role for the B Corp movement. Many leaders reported feeling trust, pride, and confidence in the ability of B Lab to grow and sustain B Corp as a certification and a movement due to the increasing penetration of the B Corp marketing, the growth in the number of B Corps, the quality of the annual B Corp retreat, and due to their relationships and confidence in the B Lab leadership (#17S, #28, #2S, #31, #3S, #4S). B Lab is able to leverage *information politics*, or politically usable information, and move it to where it will have the most impact (Keck and Sikkink 1998, 16) through its centralized research and legal team that has its finger on the pulse of the legal frameworks standing in opposition to the movement, and the key players, who are also B Corp certified members, who can make use of that information. B Lab also uses *Symbolic politics*, or symbols, actions, or stories that make sense of the situation for an audience that is frequently far away (Keck and Sikkink 1998, 16) through its Ring the Bell newsletter, which shares almost in real time the stories of certified B Corps achieving the goals of the movement.

This phase is characterized by an initial event, which in the case of B Corp is the participation of a company in applying the B Corp assessment tool. Many B Corp leaders cite

the benefit of the Assessment Tool as a useful roadmap that guided them to implement socially and environmentally beneficial solutions that they otherwise might not have been exposed to, as described by this leader:

There was no real map or guidelines as to how to be environmentally friendly. There were a lot of ideas out there: Do this or that. Turn the lights off. Recycle. A lot of different things. B Corp gave me that guidance in a very simple easy to follow format (Interview #35).

At this stage the issue is still externalized for the participant. They are ‘trying on’ the B Corp framework and exploring their fit, all while becoming aware of what B Corp stands for and their potential role in it. Companies become familiar with the B Corp logo, learn about other B Corp companies, compare themselves to benchmarks, and realize that B Corp is broadly represented across sectors and geographies with a presence in the media. The assessment tool also creates a goal and a sense of a prize to achieve, which entices new comers to participate.

#### *Stage 2: Create Belonging – Collective Action*

If companies make it through the assessment and engage the network, they receive the ability to use the B Corp logo, attend the annual conference, be featured in the directory, and receive the B Lab newsletter all which involves taking action, which in turns creates a sense of belonging. Knowing that the annual Summit is accessible only to certified B Corp leaders creates a sense of inclusivity and many interviewees referenced feeling like they are in an exclusive club. At the conference there are activities such as pollution clean ups or tree planting that actually get leaders taking collective action together. This creates important “experiences of encounter” including healing, touching, hearing, feeling, seeing, and moving that were a proven cornerstone of successful alter-globalization movements (McDonald 2006, 37).

Most importantly for this stage of the movement to be successful, the network must take collective action without an over-focus on the prompting organization, which is B Lab in this

case. B Lab does a good job of sending collective action assignments to the network that encourage and facilitate business-to-business interactions and outreach and special promotions to their markets. Companies benefit from the efficiency of forming business relationships with those who share the same values and models as described by this leader:

I love working with other B Corps and working with like-minded individuals who are using the power of business to create change in the world. So there's a lot of pride that I get out of being able to partner with these other B Corps. They're vetted so I don't have to spend a lot of time thinking if this company is good. I don't have to do a lot of background checks. Just because they are a B Corp I know that their heart is in the right place (Interview #35).

So much in business is about relationships, and if businesses have a foundation of trust then they can refer customers to each other, provide shared mentorship, invest and form partnerships together, etc. B Corp offers the checks and balances that replace strategies required for mistrust such as holding cards very close to the chest, keeping trade secrets, trying to gouge the competition and other means of dominating or eliminating the other. These benefits of business-to-business interactions create shared identity and collective action based on belonging. This also creates an arenas where “new culture and political meanings are produced, dissent is made possible, and direct action can be imagined,” as was a proven need for success in the alter-globalization movements (Juris 2008, 201).

In all these ways the movement shows strength in propagating belonging through collective action. But is it successful? The interviews indicate there is significant success in feeling a sense of belonging. One of the benefits cited for being a B Corp is the inner trust of the network and “having a community of like-minded people (Interview #6S).” This fosters inspiration and support including feeling understood, being validated for a unique way of approaching business, receiving inspiration and support to keep going etc. This also creates a positive experience, which keeps people engaged with each other and the movement as described by this leader:

When I saw the brand and the community there's an element of a vibe there. B Corp has got a vibe. The people are passionate, they want to change the world. They want to improve things, they want to do things. They're naturally going to attract attention because of that (Interview #31).

### *Stage 3 Belief and Ownership*

This is the stage that moves participants from belonging to ownership so rather than being part of the movement, they are being the movement. The participants need to use what the movement stands for to propagate it on their own initiative. Pleyers' insight into alter-globalization movements pointed out that it was not experience in and for itself which lied at the heart of subjective influence but experience linked to the will to become an actor (Pleyers 2010, 104).

The ability of each B Corp to leverage the brand to influence their region and sector was described as a key strength of the movement (Interviews #7Sa, 2S, 3S). Each B Corp represents a proof of concept of the triple bottom line way of doing business, not just generically, but specifically for a regional market and a type of business. Other businesses in the same or similar markets, or in a similar business, can use the success of the B Corp as an inspiration and a roadmap, both of which are usually available due to the transparent and collaborative nature of the B Corp and media attention. B Lab invites B Corps to report their successful efforts in propagating the movement. They even created nomenclature for these efforts, calling them *ripples*. B Lab aggregates the ripples and shares them with the network on line regularly.

### *Stage 4 Support Consistent Action – Sustaining the Movement*

At this stage the movement is sustained as participants continue to act from an ingrained belief system about the movement and what it stands for. The recertification process supports this activity. Since the Assessment Tool is updated to reflect best practices B Corp leaders described that it helped them “become better over time because you have to maintain the

certification (Interview #34).” This structure benefits the movement by enabling companies to align with the brand identity of B Corp and maintain brand quality over time since companies require recertification. The re-assessment process protects what the movement stands for.

But the reassessment cannot be the only activity that sustains the movement. The efforts at this point cannot depend on the B Lab reassessment alone since Feldmann emphasizes that the organization cannot be needed to maintain the movement. So the question becomes: would the movement continue if there were no reassessment and no B Lab? The interviews indicate that the ongoing benefits of being a B Corp coupled with the effective impact of the movement combine as strengths that propagate it.

One of the ongoing benefits of being a B Corp described by the interviewees was their ability to attract the best talent since potential employees who are mission aligned seek out B Corp companies, especially since they can work on their passion for private market level pay as opposed to non-profit level pay (Interviews #13S, #27, #2S, #6S, #9S) as described by this leader:

I think where it really made the difference is in the labor market...being able to track and maintain top talent. We had lines of people who have reached out to us saying we've heard about your model and I work for x,y,z client or at x,y,z consulting firm. I really like the idea of getting paid the same and making a difference at the same time. So we had a line of people and this is great for a small company as a means of recruiting. They would say: "I will put in my two weeks the moment you give me an offer." I'm not looking for a job, I want a job at (your company). You tell me when a job is open and I will quit. Which is great, because you can take on stuff knowing you have a bench ready to go (Interview #2S).

The flat structure and respect and empowerment of people specifically resonate with Millennials as described by this leader:

We just had our employee retreat and they (the younger generation) are thrilled to feel valued on a human level, they're just so thrilled every day. Our interns were comparing the internship experiences that they've had at 3 or 4 of these big accounting firms versus with us. Our interns were just raving about the type of the experience they're getting saying (the other firms) would never allow us to do what we let them do, the experience

they got, the feeling they got. It's now their experience of what work should be like and they are looking for other B Corps for their employment (Interview #40)

Experiencing benefits like this give companies intrinsic reasons to keep the B Corp movement going.

Finally, lessons from the alter-globalization movement show that it is invaluable for the sustainability of the movement to form alliances with partner organizations that share the same values (Manfred Steger, Goodman, and Wilson 2013, 76; Keck and Sikkink 1998, 30). Since the B Corp movement is not sector specific and is global there are more diverse opportunities to form partnerships influence regions and sectors. The diversity of the size and sectors of the companies means this type of impact is shared far and wide across the network as described by this leader:

As a strength, I would talk about diversity. You have a small company with \$100,000 in revenue and then you have large companies like Ben & Jerry's, then you have companies that have advisors and legal firms. So this diversity is really a strength for B Corp (Interview #20).

In this way the individual B Corps are creating many regional and sector ripples, which sum to collective impact of the movement without B Lab fueling the effort.

### ***B Corp Weaknesses***

Similar to strengths, weaknesses in a SWOT analysis are also internal, so the weaknesses reported reflect perceived flaws in B Corp as a movement. This section describes them according to the above framework.

#### *1. Get people to feel a part of something – A Viral Effect*

The number one concern for B Corp leaders is that the number of certified B Corps is extremely small compared to the large number of companies that are not B Corps (Interviews

#23, #26S, #3S, #31, #30, #39, #46, #29). This creates concern that B Corp is a “legend in its own mind,” in that it’s not creating the impact it thinks it is as described by this leader:

There's like 7 million businesses in America. And there's less than a 1,000 BCorps, so many of them are living in a bubble. You walk down the streets of Manhattan, or you walk down the streets of LA, or you walk down the streets of Chicago and 99.99% of the businesses aren't BCorps (Interview #31).

If a lack of confidence that there even is a movement begins to permeate the network, then it will be difficult to continue to engage involvement.

## *2. Create Belonging – Collective Action*

Collective action and a feeling of belonging is weakened if there is no clear identity of the movement as described by this leader:

(B Corp) is growing. They're having a little bit of an identity crisis as to what B Corp means, especially to all of the different stakeholders. B Corp means one thing for the companies but another thing to people who are purchasing B Corp products and maybe something else to legislators (Interview #24).

While diversity in company size, sector and region was listed as a strength, it was also noted as a weakness with some feeling that there is little cohesion and shared identity of the group. The concern is summarized by one leader who stated, “if you become everything to everybody you become nothing to nobody (Interview #37).”

Many leaders are also concerned that B Corp is perceived as being too leftist or too hippy, both of which discredit the brand for those who do not consider themselves left leaning or hippies (Interviews #12S, #23, #2S, #30, #9S, #37, #39).

I think they've got to find a way to be middle of the road. Because it comes across as very left wing, the way a typical company reads it. You read all the descriptions and think these are some idealistic young people who screw corporate America (Interview #37). B Corp leaders would rather the brand be perceived as a business brand, rather than a partisan or sub-culture agenda. These weaknesses in identity if not addressed would create a challenge at this stage of movement building.



### *3. Create Belief and Ownership - A Movement Rises Up*

This stage requires participants to use the symbols and meaning of the movement independent of B Lab to experience ownership. This stage could be challenged by one reported weakness: that it is difficult to articulate what B Corp is and why it is beneficial to clients and customers, investors, and other businesses as described by these leaders:

The challenge is that B Corp isn't necessarily about a product, it's also services and processes. It's really a sticky thing, trying to figure out a way to communicate how varied and diverse B Corp is without confusing people. I don't have a clear answer (Interview #24). I think the environmental issues, I think they're easier for people to understand and get behind. But this one is a little more esoteric. If you think about the polar bears, I show you a picture of a polar bear on a shrinking iceberg and I bet you I could probably get you in a few seconds to get your wallet out and hand me a check. However if I sit down and say I want to talk to you about changing your corporate DNA, and there's S Corp, C Corp, and now there's B Corp...probably after 30 seconds your head is going to hit the table. B Corp is very important, it's translating it though that's the challenge (Interview #39).

#### ***B Corp Opportunities***

Opportunities in a SWOT analysis are external and beneficial to the organization. The opportunity most mentioned was the ability of B Lab to market the value of B Corp in mainstream business media and through business to business campaigns to build the movement's momentum with other market players including businesses and customers, as described by these leaders:

What B Corp is doing I think is helping, and it's just a drop in the bucket at this point, but I think it's helping to counter the impression that companies like Walmart and the big corporate names that talk about sustainability and being green. Yah, you can buy organic at Walmart, but it's factory farmed organic, and the people who are deep greens recognize that that's not going far enough. In terms of educating the market place I think it goes a long way to help counter those green-washing claims. And the research shows that all else being equal a person will do business with a company that they perceive is doing right by the world versus one that is either neutral or not doing good by the world (Interview #16S).

(B Lab's) marketing and outreach department has been really great. You see them in a lot of places where a lot of other sustainability initiatives have not gotten off the ground

the way that B Corp has. So I think that's certainly one of their strengths, is their ability to run campaigns (Interview #30).

### ***B Corp Threats***

The only threat mentioned repeatedly was the concern that a company of questionable integrity would somehow get through the assessment tool and become a B Corp, damaging the brand (Interviews #20, #24, #34). This leader best describes this possibility:

A large company could hijack the movement. It's like what you see with organics and most certifications like fair trade. In the beginning we have really high standards. Bcorp is pretty high. They are pretty innovative. But soon you want to get more mainstream because you need the mainstream to get more exposure. But to get the mainstream you need to lower your standards. That's what's happening with fair trade, the standards are being pretty diluted because fair trade needs more Krafts and Nestles to jump in and they don't want to do it because the rules are so complicated and the standards...they will never be able to finish, and they want an exception. So they always find a good business reason for not abiding to the high standards and so they create a dilution of the standards. That's with every major certification. B Corp is young but there's always a possible threat for that (#20).

### **4.12 B Corp Compared to Other Movements**

When asked about other movements the only ones mentioned were green business movements like The Business Alliance for Local Economy (BALLE), Business for Social Responsibility (BSR), and Green America; product certifications such as LEED and organic; and worker movements such as unions and fair trade. Here is how one leader best describes B Corps orientation with these other movements:

It's interesting because our company is part of the organic movement and the fair trade movement, and B Corp is kind of wider and more business oriented. Organic was a more counter-culture movement. It was more grassroots and now it's been high-jacked by the big conglomerates. Fair trade is a movement as well, but it's not as business oriented and I find it more of an NGO kind of vibe than B Corp. So I like B Corp because it's a business movement and we don't have a lot like that. (Interview #20).

Most interesting to note is that not a single interviewee mentioned the Global Justice Movement, Activists Beyond Borders, or the World Social Forum. They also did not recognize these

movements when asked about them. Since there were multiple mentions identifying B Corp as a *business* movement, including wanting it to stay that way, I conclude that the B Corp movement truly rose from and represents the business sector, where the alter-globalization movement rose from political action and these movements remain in separate realms of influence, discourse, and understanding. This does not necessarily mean that B Corp doesn't affect the political sphere. The next section will explore this notion by discussing leaders' thoughts on the current and potential political significance of the movement.

#### 4.13 Current and Potential Political Significance of the B Corp Movement

The economy and politics are deeply entwined. The political sphere has had varying degrees of influence on economic activity through private sector regulation, while business has increasingly seemed to influence the political area through campaign donations and special interest lobbying. I will begin by exploring a genealogy of this interplay of influence beginning with the Great Depression, which created an unprecedented opportunity for political power to influence economic ethos. I will then describe how small economic interests gained even greater power in influencing politics, which again changed the economic climate of the US. I will conclude by discussing how these levers of power may be at play in the B Corp movement.

In his book, *The Great Depression and the New Deal*, Historian Eric Rauchway describes how President Roosevelt, heavily influenced by the thinking of his advisors and economist John Maynard Keynes, created the New Deal with intentions for what was referred to as the “3 R's” of relief, recovery and reform. Prior to the New Deal there was little public protection from the activities of banks or the stock market. For example, it was possible for banks to close and for people with money in those banks to simply lose that money. The New Deal created and implemented policies like the Federal Deposit Insurance Corporation (FDIC) to provide

insurance to depositors in U.S. banks, as well as the Securities Act of 1933, which was the first major federal legislation to regulate the exchange of securities based on disclosure to avoid fraud. Rauchway also describes how behind the scenes other economic influences were led by Roosevelt, including decoupling the dollar from the gold standard. He also quietly channeled money to other nations, initially for political purposes, but ultimately requiring them to also decouple their currency until the US dollar was the defacto world currency with most nations pegging their currency to US Dollars rather than gold. In his book, *Money Makers*, Rauchway emphasizes that Roosevelt was able to accomplish these incredible impacts because there are two types of political activity that can influence economic activity, one being fiscal policy and the other being monetary policy (Rauchway, 2015). Fiscal policy occurs in a government's budget and includes taxes and government spending. Monetary policy more broadly tries to even out business cycles and stabilize the economy by making it easier or more difficult to get money, such as changing policy on the amount of money provided to banks. What is most relevant about the distinction between these two types of policies is that fiscal policy is widely publicly debated and must be approved by Congress, while monetary policy is decided by a small group of experts in private forums. Monetary policy creates a significant opportunity for an elite group to gain powerful agency to influence the activity and the ideology of the macro-economy.

While economic thinkers like Keynes were influencing monetary policy from inside the oval office, a group of businessman were beginning the stirrings of a counter-resonance machine focused on privileging business through the liberation of a free market. In her book *Invisible Hands: The Businessman's Crusade Against the New Deal*, political historian Dr. Kimberly Philips-Fein attributes the organized business-led resistance to the New Deal as the real roots of the conservative economic ideology of the 70's, as opposed to the popular notion that conservatism was a Republican backlash to the culture wars of the 60s (Philips-Fein 2009).

She describes how anti-New Deal business leaders began organizing by forming coalitions, institutions and think tanks that not only strove to support their individual efforts, but more importantly, aimed at influencing other businesses and politicians. By the 1950's she describes a well-organized and wide-spread resonance machine aimed at influencing politics for a neoliberal agenda. For example, she describes how in the 50's the Vice President at General Electric created mandatory free market training for all employees and enlisted Ronald Reagan to give anti-communism and free market speeches. She emphasizes that these organized business leaders were not in the fringes of society as they held important social positions as successful business leaders and had the wealth of their companies. Nor were they a part of the dominant thinking of the day in either the political or business spheres. Yet they were influencing those in media and leaders with social and political power and proved to be the early beginnings of the conservative movement. As B Corp is also influencing those in media and with social and political power, they are leveraging the same levers to overhaul the economy in an entirely different direction.

In current day, the American sustainable investment community has engaged the federal legislative and executive branches of the US government to help create the conditions for a global sustainable economy. This includes addressing climate change and calling for better corporate disclosure on political contributions, executive compensation, use of conflict minerals and payments to governments by extractive companies. These efforts help to create a national framework in which environmental, social and governance considerations in investing are able to become the norm (US SIF Foundation 2014, 5).

Unfortunately, one of the negative ways companies currently effect politics is through large financial political contributions. This was a key issue for some B Corps as described by this B Corp leader:

I would really like political power to be shifted away from corporations. I believe that corporations have an opportunity to be wonderful corporate citizens. They don't necessarily have to influence policy (Interview #41).

This desire for reform also reflects a macro-trend in the U.S. investment community. Individual and institutional investors have given overwhelming support to a rulemaking petition urging the US Securities and Exchange Commission (SEC) to require companies to disclose their political spending. The SEC had received more than 1 million comments on the proposal—a record in SEC rulemaking history (US SIF Foundation 2014, 16). The B Corp assessment tool screens for such activity and offers a framework for reducing corporate lobbying and influencing the political arena to abolish such practices.

Many interviewees shared their respect for B Lab's ability to organize for political impact as they passed Benefit Corporation legislation in the majority of the US States. This legislation makes triple-bottom-line businesses legally recognized so that their missions can be legally protected. The biggest win for this political effort occurred when the State of Delaware, which has registered the majority of US businesses, passed B Corp legislation. This leader's description echoes the sentiments and discussions that permeated the 2013 B Corp Summit:

I couldn't believe that B Lab was able to pull off passing the legislation in the state of Delaware. It was a huge political victory. You don't have to go down in the streets and strike and have demonstrations like all political movements. It's built on working on legislation and trying to make things change from the inside, which is B Corp creating a political movement (Interview #20).

In addition to shared reverence regarding B Corp's ability to organize such political impact, there was a buzz at the Summit about what this means for the bigger picture of politics and the economy as described by this leader:

I don't think Delaware would have passed the B legislation if B Lab and B Corp hadn't gotten it passed in other states. I think that Delaware enjoys the majority of the corporate registration in the United States and a 1/3 of their tax base is based on that. They didn't want to lose companies by not recognizing B legislation, so this is an

acknowledgment that they thought there would be a growing wave of companies that would want to incorporate as a B Corp (Interview #32).

The significance of the B Corp movement and its stance for the recognition and protection of triple-bottom-line businesses became institutionalized in the American economy when Delaware passed its benefit legislation.

The political significance most relevant to this project is the ability of the B Corp movement to overhaul the current economy to a triple-bottom-line economy. One way B Corp would be able to do this is by helping grow the impact of triple-bottom-line businesses through movement building and through the passing of benefit corporation legislation, both of which have been previously discussed. Beyond the activities of individual companies, we also need to evolve how we measure the success of our national economy beyond the current single bottom line measure of national prosperity, Gross Domestic Product (GDP). We need metrics that include human wellbeing, societal happiness, and environmental health and it will take political will for this to happen. Many B Corp leaders believe that B Corp has the opportunity to lead the way for this political action. This section will begin with a discussion of two other metrics that encompass these values that were mentioned in an interview. I will then demonstrate how the B Corp movement could help move us towards such metrics.

A B Corp leader shared her respect for the architecture of Gross National Happiness (GNH) in Bhutan and the Genuine Progress Indicator (GPI), both of which aim to replace GDP discussed in Chapter 2 (Interview #32). The country of Bhutan created GNH to reflect their cultural, political and economic understanding of progress, as emphasized by the 4<sup>th</sup> King of Bhutan who brought this notion to the world when he stated in a 1986 interview with the Financial Times “Gross National Happiness is more important than Gross National Product (Brahm 2009).” King Jigme Singye Wangchuck used the four pillars of equitable economic

development, environmental preservation, cultural resilience, and good governance to develop policies, but when the country opened to the developed world, these pillars were scrutinized for not being measurable or statistically sound (Braun 2009, 3, 13). Nine domains were created and a research team was assigned to each to develop the domain's statistics (Braun 2009, 3, 13). The Centre for Bhutan Studies Under the Patronage of His Majesty the King shares the nine domains as follows:

1. Psychological wellbeing
2. Health
3. Time use
4. Education
5. Cultural diversity and resilience
6. Good Governance
7. Community vitality
8. Ecological diversity and resilience
9. Living standard (Ura 2008, 2)

GNH is measured through a questionnaire published in 2007 consisting of 290 questions comprising 72 indicators to create the GNH index (Braun 2009, 3, 14). Bhutan strives for growth in their key indicator, but this reflects growth in what they actually care about: *wellbeing* and *human fulfillment* over economic growth (Braun 2009, 4, 6; Ura 2008, 1).

GPI is a purely economic index aiming to correct deficiencies in GDP in three ways: additions are made to account for the non-market benefits associated with volunteer time, housework, parenting and other socially beneficial activities; deductions occur according to an index that measures inequality in the distribution of income and its social costs; deductions are also made for costs of degradation of natural capital (Talberth, Cobb, and Slattery 2007, 3). The Center for Redefining Progress publishes the GPI annually on their website, along with a chart mapping the incredible discrepancy between US GDP and GPI ("Redefining Progress - Genuine Progress Indicator" 2016).



Much like Bhutan is best positioned to model metrics that matter for the culture of their country, B Corp leaders are best positioned, and have the natural inclination, to create and model broader metrics unique to their industry. For example, a finance advisor for Charter Schools is trying to figure out if there's a correlation between the academic results of the students versus the financial management of the school (Interview #40). If B Corp continues to grow and model such metrics, it could create a zeitgeist that creates upward pressure, much like the grass roots sustainability movement eventually effected institutional and national policies. As more and more companies move towards metrics that include society, human, and ecological health on a global scale, nations of the global economy could be inclined to follow and expand their metrics to embrace similar values of wellbeing. And B Corp could lead the way for company metrics that truly matter to humanity and the environment.

The final area of political significance of the B Corp movement currently underway and increasing is the government's trust and reliance on the private sector to provide public services. This, of course, is not a new concept and Naomi Klein lists the privatization of public services as one of the pillars of a neoliberal globalization agenda. This is usually accompanied by deregulation of the private sector, which leads to a deterioration in public services and inappropriate financial gains to the for profit companies. The difference with the B Corp movement is that the companies that step forward to serve the public are actually legally bound to do so appropriately, including benefiting workers, the community and the environment.

A report describes this trend in Europe:

In the European context, welfare states are retreating and public services are deteriorating. In that context, political discourses are displaying high expectations of 'social innovation' as a 'solution' for budget cuts, and of 'social entrepreneurs' being able to replace public services. Whether or not one (dis)agrees with such political position, it is important to question how social venture ideas and practices are or may be used (or abused) to legitimize certain political discourses (Avelino, Wittmayer, and Afonso 2015, 8).

One B Corp leader emphasized the agility business has over government as follows:

“When you look at who is really making the change happen on the ground, not talking about it, not making great speeches, but actually doing things, I think it is business (Interview #17S).

And the trend is catching on. California has created departments, such as the San Francisco Mayor's Office of Civic Innovation and posted over thirty calls to the private sector to help create government solutions. Here are a few examples:

- Help SF Environment build a Green Purchasing tool for staff to easily identify & buy sustainable products!
  - Build an app with SF Public Works to help engineers assess building integrity after an earthquake!
  - Help SF Rec & Park develop user-counters, pattern analysis & visualizations tools to better serve the public!
  - Build an on-street parking map app with SFMTA using sensors & passive data! Less circling = less pollution!
  - Help West Sacramento PD develop a real-time virtual war room for police detectives!
  - Help West Sacramento build a flood evaluation map using existing flood inundation maps and traffic cams!
- (<http://officeofcivicinnovation.nationbuilder.com/>)

As B Corp and triple-bottom-line businesses win these opportunities and demonstrate their ability to benefit society while providing good, well-paying jobs through their for-profit models, the most important political significance of the movement could be the evolution of the relationship between government and business to one of mutual support, respect and public service.

# CHAPTER 5. FUTURE SCENERIOS FOR THE NEW ECONOMY

## 5.1 Chapter 5 Introduction

B-corps envision and are striving to construct a socially just and environmentally beneficial future economy so the ultimate question of this project is...is such a future possible? The qualitative research explored in the previous chapters demonstrates many opportunities for success and for complete failure. This chapter will develop four potential scenarios of a future New Economy in terms of worst and best case scenarios. One scenario will be selected to fully develop into my preferred future portraying an inspired and empowered vision of what is possible if the B Corp movement were to be successful.

## 5.2 A Futures Framework for Building Scenarios

Futures Studies does not believe in examining the future because it simply does not exist (Dator 1998, 5). Instead it strives to explore various scenarios of the future that better represent the reality of many “alternative futures” rather than a single “THE future.” (Dator 1998, 5). In opposition to a straight, determinate river, the future is viewed as an open delta where many paths are available. As Futurist Dr. James Dator describes, “The future is fundamentally plural and open—an arena of possibilities, and not of discernible inevitabilities” (Dator 1998, 5). Hence Futures Studies aims at expanding visions of the future that commonly assume an extrapolation of currently understood trends into more useful and realistic perceptions of all that the futures can be. The idea is to expand thoughts of the future into many possibilities, hence the concept of Futures with an ‘s’. Once people expand their perceptions and images of the futures, they can explore each, deciding what they like and don’t like, then begin to make decisions that will ultimately lead to designing their preferred future. Such a future is built from

desirable aspects, or in response to undesirable aspects, of the many possibilities.

Futures methodologies use the creation of multiple scenarios to usefully describe the many possible images of the future. The following is a synthesis of work from Peter Schwartz's *The Art of the Long View*, Futures Professor Roger Caldwell at the University of Arizona, and the University of Hawaii's Dr. Jim Dator. Together they outline the framework I will use to create scenarios for the B Corp movement (Caldwell 2014; Schwartz 1991; Dator 1994):

### 1. Identify Focal Issue or Decision

What do you really want to know? Define the specific issue where having scenarios will be helpful.

### 2. Identify Key Forces in the Local Environment

a) Who are the decision makers?

b) What will these decision makers want to know when making their choices? These are the factors influencing the focal issue.

### 3. Identify Trends and Driving Forces

a) What major economic, social, political, and technological trends will be of influence?

Lump them into 4-6 driving forces that provide a good impression of where we are heading if current conditions continue.

b) What paradigms will be a factor? Paradigms are the "unwritten rules of change."

They form the backdrop for everything else. For example, the "cold war" was a paradigm - there was no formal statement on how it would influence many sectors of the economy, but it clearly had some influences. What are the next major paradigms that might affect your issue?

- c) Consider things that move in cycles. For example, consider what generation will be in power in your futures.

#### 4. Rank by Importance and Certainty

- a) Rank the key forces and driving forces on the degree of importance and the degree of certainty. Make an x-y plot tracking importance against certainty.
- b) Those key forces or driving forces that fall in the quadrant of high importance and high uncertainty should be looked at carefully as they are more critical to providing different scenarios that are important. Select 2-3 to study further.

#### 5. Selecting Scenario Logics

- a) Following the ranking, outline the key variables for building scenarios.
- b) Identify some uncertainties and some potential 'wild cards,' or unexpected but possible shifts.

#### 6. Fleshing out the Scenarios

- a) Flesh out the scenarios by looking at key factors and driving forces developed in steps 2 and 3. Each key factor and driving force should be given some role in the scenario. Make a few scenarios by mixing the driving forces in different ways to include some wildcards. Remember good scenarios are plausible and surprising. Avoid assigning probabilities to different scenarios since the environment for the scenarios are different and it is not realistic to attempt estimating probabilities. If the scenario gets you thinking, breaks old stereotypes, and could mobilize people to take ownership and put them to work, then you have a good scenario.
- b) Over decades of study, Dator determined that most visions of the future fall into one of four categories he calls generic futures as described below (Dator 1998, 9).

Consider these possible scenerios to see if they help in the construction of each scenerio, but don't be limited by these options.

1. Continuation - The most common scenario where current trends are extraploated and continue on as business as usual or status quo.
2. Collapse - Current conditions become non-functional as in post-apocolyptic visions, plunging society into crisis.
3. Disciplined - Society is concious of its direction and makes a comprehensive effort to control the outcome, usually organized around an overarching ideology such as conservation.
4. Transformational - New technology, policy, and cultural norms are created, fostered and implemented on such a scale that the existing norms are completely replaced and new beliefs, behaviors and organizations are formed as a result. The introduction of the loom which launched industrial society and the invention of the automobile are both excellent examples.

Finally, in completing scenerios consider the framework outlined in the next section. It is a unique approach from political theory that can be applied to organize the elements of the fleshed out scenerios beyond simple cause and effect.

### **5.3 Applying the Futures Framework to Create a Landscape of Future Scenarios**

Using the above Futures framework, I will develop outlines for four future scenarios and then select one to develop more fully as my preferred future using Connolly's framework. Key components of the frameworks will be featured in *italics* to guide the description of scenario

development. My futures will exist in the year 2050, which uses Dator's default future of approximately 30 years (Dator 1994, 2). This accomplishes the goal outlined by William Connolly where he calls for composing visions for an interim future, which is close enough in time and shape to enable us to think about its possible details, even if the images may be disturbed by surprising events (Connolly 2008, xiii).

### ***1. The Focal Issues: How to Benefit Society and the Environment While Achieving Work-Life Balance?***

*What do you really want to know? Define the specific issue where having scenarios will be helpful.*

In the face of the destructive, market driven globalization of the past few decades, the alter-globalization movement has fought to keep the global vision alive that "another world is possible." To counter our current capitalist trajectory, William Connolly calls for an eco-egalitarian resonance machine that includes engagement, egalitarianism, diversity, and care for future generations (Connolly 2008). B Lab claims it is building a movement to essentially accomplish all these goals. Their primary aim is to redefine success in business while building a New Economy. B Lab says they will be successful if individuals and communities enjoy greater economic opportunity, society addresses its most challenging environmental problems, and more people find fulfillment by bringing their whole selves to work. The main issue the futures scenarios will attempt to shed light on is the impact the B Corp movement will have on the world's future economy in terms of the broadly agreed upon vision that it should benefit society and the environment.

In addition to the broad goals described above, a central theme for my preferred future is work-life balance. When I was employed as an engineer at IBM, if you worked less than 12

hours each day, you weren't working. Engineering school required me to be in a classroom 35 hours each week, with another 20 hours of homework and labs and another 20 hours of waitressing to pay the bills. I earlier wrote about my experience working in Mexico where the norm is 12-20 hours of work on any day. While I worked in infinitely better conditions and with infinitely better pay, I realized that this doesn't only happen in Mexico, it was the socially sanctioned and rewarded norm for me for all of my academic and working life. And other norms around work-life balance, or the lack there-of, are even more alarming now that I think about it. While women in Canada receive one paid year off when they have a baby, women in the U.S. hand their three-week-old babies over to childcare so they can go back to work. And these are accomplished women, women with family support and financial means, women I know. This is society's norm. My parents worked a number of jobs while both starting businesses based on their passions. My sister and I worked one or two jobs since we were thirteen. The four of us ate dinner together rarely and, while we couldn't be closer now, I think we would all agree we lost much of our connection as a family in those years to work. My Grandad worked in a gold mine in northern Canada in the dark for most of every day. We visited that mine and I couldn't help but wonder at how he kept his spirit alive decade after decade. Another grandfather, an Italian immigrant who taught my brother to value hard work above all else, told my brother in some of his last breaths as he was passing from this world that his most important lesson was that he had been wrong about work. He said "do enough to be fulfilled and to cover the bills, but all that matters is the time you spend with your loved ones, I was so wrong."

Is it any wonder that the sustainable business leaders affiliated with the B Corp movement that I have interviewed say that they won't allow anyone in their company to make a call or send an email after 6pm or on the weekend? Some have their entire company go on an inspiring field trip every Monday morning and end the day at 2pm every Friday. The Millennial



generation entering the workforce says that their number one interest is the ability to maintain their own flexible schedule and integrate work so that it feels like a part of their life (Meister and Willyerd 2010). The young workforce of today doesn't want to make a living, they want to make a life.

Yet at the beginning of the millennium US manufacturing employees worked 320 more hours, the equivalent of over two months, than their counterparts in West Germany or France (Schor 1992, 2). Nationwide people report their leisure time has declined by as much as one third since the early 70s resulting in less time spent on sleeping and eating and paying attention to their children (Schor 1992, 6). Stress is on the rise, and the media shows mounting evidence of time poverty (Schor 1992, 5). Yet there is little public, academic or industry debate over work hours. It is just never talked about. Interestingly, it hasn't always been this way.

As early as 1791, when Philadelphia carpenters went on strike for the 10 hour workday, there has been public awareness about hours of work (Schor 1992, 3). The reduction of work time remained one of the nation's most pressing social issues engaging social activists, academics, and government legislation throughout the 1800s and the Great Depression (Schor 1992, 4). Work hours decreased steadily until in the late 1940s the decline abruptly ended (Schor 1992, 1). With the 1950s came the widespread belief that work was disappearing. Dator described how in the 50s America became the first *postindustrial society*, later called an *information society*, as work shifted from factories to offices, from blue-collar to white-collar and from producing material goods to producing words and services (Dator 2010). It was predicted that economic progress would result in a 20 hour work week, a six-month work year, or standard retirement age of 38 (Schor 1992, 4). Debates centered on the dysfunction and boredom that would result from such excessive leisure time in American life. This concern died when such excessive leisure time did not materialize. As the efficiency of productivity rose, there was a

choice to either produce the current output in less time, or remain at work and with the workforce working longer hours to produce more (Schor 1992, 2).

When faced with the option of choosing more free time or more money, the latter became the common choice. Employers preferred workers that worked long hours. Rather than deliver increased leisure as had been predicted and promised, capitalism demanded a tremendous expansion of human effort (Schor 1992, 3; Briskin 1998, 159). People began to work longer and harder and the late 1960s saw the United States enter into an era of ever rising work time (Schor 1992, 4). Workers didn't have much choice. The rise in working hours remained largely unnoticed by both academics and the government, and was ultimately uncontested (Schor 1992, 4). There was no 'market for leisure' since employers rarely offered the chance to trade-off income gains for a shorter workday or week (Schor 1992, 3). And other trends were helping the workforce find justification for the increased work hours and the resulting money that it provided. Advertisements and consumer debt were seducing workers into America's growing culture of consumption (Schor 1992, 3; Dator 2010). By the 1990s Americans owned and consumed more than twice as much as they did in 1948, but also had much less free time (Schor 1992, 3). Cross-country comparison showed Americans spent more time shopping than any other culture and spent a higher fraction of the money they earned, and that they didn't earn, in the form of debt (Schor 1992, 3). Dator points out that all this production-consumption frenzy occurred during a time when technology made it possible for work as we had known it to be accomplished with only 10 to 20% of the workforce actually working (Dator 2010).

So if it isn't necessary, why do we participate in endless working? As productivity increased due to efficiencies in technology and other advances, people could have chosen to work less, but instead, the capitalist system which values growth above else created a system

where people were driven to work more. This was, and still is, accomplished in many direct and indirect ways. For example, reporters went undercover to seek employment in large corporations in Mexico (Angel 2013). They discovered that for the first five months of employment at the company Elektra the worker is on probation and so is not entitled to full lawful benefits. Their workday extends from 8:30 AM to 9:30 PM with one day off per week, as long as it is not a Saturday or Sunday, which earns a monthly salary of \$260/month (Angel 2013). If they can handle these conditions, they could potentially be hired after the five months' probation period and receive better working conditions in line with labor laws. These tactics are not unique to just Mexico. When I worked at a multinational company in Canada it placed new employees on probation for the first six months. These 'contract' employees were desperate to work overtime, night shifts and 12 hour days to 'prove' themselves to secure more permanent positions which were presented as being scarce and highly competitive by the company. A researcher at the Institute of Economic Research of the National Autonomous University of Mexico explained that these jobs don't represent competitiveness but rather the degradation of work stating that, "competitiveness is related to qualification and training and here what is happening is savage exploitation" (Angel 2013).

Excessive work hours in not so great conditions have stressed the psyches and spirits of most families on multiple levels for generations. Even Bill Connolly opens his book *Capitalism and Christianity, American Style* by reflecting on his childhood in Flint Michigan, where he would observe his father returning from the car factory, unclean, worn-out, and somewhat short tempered (Connolly 2008, vii). He was also aware of the men in the neighborhood that had worked in the auto paint shop and were wasting away from cancer in bedrooms with the shades drawn down, while General Motors assured everyone that it was safe to spray lead-based paint in small enclosed areas (Connolly 2008, vii). His father, and much of his male adult world, were

union organized blue-collar workers, whom he admired, “forgiving them for the occasional heavy drinking, carousing, and neglect that punctuated their commitments to work, family, activism, and education” (Connolly 2008, viii). For generations our families have suffered as our patience, attention, and time is sucked up by work. If B Corp is successful, in addition to benefiting the environment and society as a whole, it must break this cycle and support a future with work-life balance for the individual.

## ***2. Key Forces: Profits, Affordable Quality Products, Wages, Fulfilling Work***

### *a) Who are the decision makers?*

For B Corp, the decision makers include business leaders, policy makers, employees, and consumers participating in local and global markets. If all the decision-makers on this list were to change their ethos towards the options advocated by B Corp, the global economy would evolve as part of their resonance machine.

### *b) What will these decision makers want to know when making their choices? These are the key forces influencing the focal issue.*

Business leaders will want to know that their businesses will remain viable and successful in the terms that they deem important. This includes maintaining profit margins, growing market share and revenue, and maintaining quality standards. Policy makers will want to make sure that they stand in favor with their constituencies so that they remain in power, and some will want to leave a legacy in line with their real or claimed values. Employees will want fulfilling work and, at the very least, livable wages. Consumers will want products and services that are affordable and that they can trust.

### **3. Key Trends: Free Market Globalization, Global Connectivity and Activity, the Wealth Gap, and Millennials**

*a) What major economic, social, political, and technological trends will be of influence? Lump them into 4-6 driving forces that provide a good impression of where we are heading if current conditions continue.*

Major economic trends include the neoclassical drive for continued economic growth, neoliberal globalization of markets, industrialization of developing nations and the deindustrialization of developed nations, both the privatization and depletion of natural resources, development of agriculture land, bankruptcies of enterprises, cities, and nations, international power of the WTO and IMF and the global spreading of the neoliberal agenda, rise of China's and India's economic power, the growing gap between wealthy and poor, domination of markets by multinationals, increased interconnectivity of consumers and markets, sustainability as a growing market ethos, and collective climate action limiting corporate capabilities.

Major social trends include continued population growth, urbanization, expansion of education, interconnectivity of people through social media and internet communication, increasing access to information, homogenization of global culture, privatization of medical and education services, increased religious tensions, increased global travel, and the legalization of marijuana.

Major political trends include the spread of a democratic ideology, growing discontent with government, the use of Internet and social media to expose issues and mass mobilize, increased wars over scarce resources in the name of religious and ideological differences, an increased need to address global warming and rising sea levels through collective coordinated action, and the Millennials coming into political power.

Technological trends include increased access to energy in remote regions, increased access to Internet and communications, spread of cell phone use, leapfrogging technologies in underdeveloped countries, technology to extend life expectancy, efficiency through automated production, and the growth of high-tech entrepreneurship and innovation.

I have synthesized four driving forces that cut across the major economic, social, political and technological sectors as follows:

1. Governments will continue to relax environmental and labor laws as to be more favorable with global “self-regulating” markets resulting in ongoing exploitation of both human labor and the environment, and the continued widening of the economic gap between wealthy and poor.
2. Issues of democracy, social justice and economic colonization will continue to be center stage for a global network of transnational activists and organizations that is increasing in size, interconnectivity and ability to influence.
3. Access to the internet and cell phones will continue to grow around the world, uniting an increasingly mobile global population and providing access to information and networks in more efficient and productive ways.
4. Millennials will be the first cohort of digital natives to come into corporate and political power.

*b) What paradigms will be a factor? Paradigms are the "unwritten rules of change." They form the backdrop for everything else. What are the next major paradigms that might affect your issue?*

The key potentially influential paradigms are embodied in the battle between the global 'neoliberal' paradigm versus an *eco-egalitarian* paradigm. The latter includes the democratization of ownership and wealth along with a heightened consciousness respecting people and the environment. The *wealth-gap* paradigm representing the widening division between rich and poor is closely related. Another key paradigm will be the 'environmental crisis' including global warming, rising sea levels, an increase in erratic weather and natural disasters, and the depletion of natural resources. The *end of oil* paradigm is closely related to the later.

*c) Consider things that move in cycles, ie. consider what generation will be in power in your futures.*

Since Baby Boomers are retiring and there are only 50 million Gen Xers, it is most likely that leaders from the 88 million Millennials will be in power in 2050 (Meister and Willyerd 2010). Generations cycle through four basic generational archetypes and the Millennial generation is similar to the civically engaged and socially conscious generation of the 60s (Dator 1998; Meister and Willyerd 2010). Harvard polled 2,200 professionals across a wide range of industries, asking about their values, their behavior at work, and what they wanted from their employers (Meister and Willyerd 2010). The Millennials wanted a constant stream of feedback and were in a hurry for success, but their expectations were not as outsized as many assume. Millennials view work as a key part of life, not a separate activity that needs to be 'balanced' by it. For that reason, they place a strong emphasis on finding work that's personally fulfilling. They want work to afford them the opportunity to make new friends, learn new skills, and connect to a

larger purpose. Changes for the future in terms of leadership and the relationship between employees and leadership also reflect great changes with the rise of the Millennials (Meister and Willyerd 2010).

In the book *Nine Shift: Work, Life, and Education in the 21<sup>st</sup> Century*, two Futurists predict the following major shifts for future decades that combine with the characteristics of Millennials to begin to paint a portrait of future work life: people work from home, intranets replace offices, networks replace pyramids, trains replace cars, dense neighborhoods replace suburbs, new social infrastructures evolve, cheating becomes collaboration, half of learning is on-line and education becomes web based (Draves and Coates 2004).

#### ***4. Important and Certain Drivers: The Neoliberal Paradigm, The End of Oil, and Millennials in Power***

*a) Rank the key forces, driving forces, paradigms and cycles on the degree of importance and the degree of certainty. Make an xy plot with importance vs certainty.*

*b) Those key forces or driving forces that fall in the quadrant of high importance and high certainty should be looked at carefully as they are more critical to providing different scenarios that are important. Select 2-3 to study further.*

The neoliberal paradigm, the end of cheap oil, and the coming to power of the Millennial generation will all be of high importance and high certainty in the year 2050. These will be three of the driving forces explored in my scenarios, including consideration of how they might dampen or resonate with the agenda of the B Corp movement.



## **5. Unexpected but Possible Shifts: A Global Ethos of Work-Life Balance, A Redistribution of Wealth**

*a) Following the ranking, outline the key variables for building scenarios.*

The key variables I will use include the neoliberal paradigm, the end of oil, and the coming to power of the Millennial generation.

*b) Identify some uncertainties and some potential 'wild cards,' or unexpected but possible shifts.*

The wild card I will insert would be a major shift in local and global policies and thus practices that aim to operationalize the seven guiding principles outlined in Chapters 2 and 4. This would present an epic paradigm shift that would be surprising and significant, but given the support for Bernie Sanders' platform during his 2016 campaign for the Presidential nomination, it isn't entirely out of the realm of possibilities.

## **6. Fleshing out the Scenarios**

### Scenario 1: Nearing Collapse

In the year 2050 the leaders of governments and businesses are comprised of Millennials who are overwhelmed and unprepared as they inherit institutions of bureaucratic hierarchies and a damaged world they did not create. The alter-globalization movement, B Corp movement, and labor movements were defeated as multinationals continued to dominate and have become faded memories. The world has globalized according to a neoliberal agenda, which has depleted much of the world's resources, angered the global workforce, and concentrated the majority of the world's wealth amongst of a very few. The end of cheap and abundant oil magnifies all of these negative effects. Wars increase over scarce resources hoarded by multinationals that dominate the global market. The angry global response is also

loud and growing. People are desperate to feed themselves and provide the basics for their families.

### Scenario 2: Continued Growth

The Millennials, who were raised with the sense of extreme entitlement, applied their tenacity and inclinations toward developing networks and low level work experience at a young age. They actively sought to learn everything they could from the Baby Boomers in charge, yet were also greatly influenced by the alter globalization and B Corp movement. As such, the new global leaders indoctrinated an ethos of continued growth, capitalism, and cultivation of wealth that continued to push forward the neoliberal agenda with one exception: they cared about people and the environment. This led to the development of labor and environmental laws applied uniformly across the world according to alter-globalization recommendations and the high precedent set by an overwhelming number of B Corps. With all nations now participating in the global market the power of national borders has faded and most of the world works in the real economy and lives in acceptable conditions. The Millennials in power continued to accumulate wealth as they operated in the financial economy. Seeing the end of oil in sight they diverted the financial economy further away from the real economy and into the land of derivatives so that the financial market ballooned to 30 times the world's GDP.

### Scenario 3: Discipline

By the year 2050, the alter-globalization movement had combined with the demands of conscientious consumers and organized labor through the Internet to organize and leverage their resonant goals of creating better working conditions and environmentally conscious practices and products. The B Corp movement had grown so large, that consumers and workers would only participate with certified B Corps. This slowed the neoliberal agenda and strengthened the coherence of an eco-egalitarian paradigm. The dwindling oil supplies caused

the Millennial business and governmental leaders to focus their tenacity on transitioning into a new economy built on renewable energy. With their ethos of collaboration over competition, they networked solutions and began to transform the institutions of bureaucratic hierarchies that were the foundations of the social, political and economic landscape that they had inherited.

#### Scenario 4: Transformation

In the year 2050 the eco-egalitarian paradigm has completely eclipsed memories of the neoliberal agenda. The alter-globalization movement, environmentalists, a newly empowered networks of Millennials, the growing consciousness of consumers, on-line mass education, and the evolved nature of conscious capitalism through the B Corp movement combined forces through their resonant values. They used the internet to mobilize their masses to boycott multinationals and form alternative local economies based on employee owned egalitarian enterprises and supported through cooperative institutions such as banks and social services, all certified by B Corp. This reduced much of the power of the IMF and the WTO, as well as a general reliance on the dwindling supplies of oil. The Millennials in power worked together to transition local economies onto regional renewable energy. Rooted ownership of businesses, institution and home ownership result in tighter knit communities that naturally support an ethos of integrated work-life balance.

This concludes the framework from Futures Studies as applied to creating a landscape of potential Future Scenarios for the future Economy. The goal of this methodology is to look at what you like and don't like in all four cases and form your preferred future to create what you want and avoid what you don't want. To do this I will apply Connolly's resonance framework to further expand the nuances of the actors and dynamics of the current and future trajectory of B Corp that builds the foundation for my preferred Transformative Future.

## 5.4 Applying Connolly's Resonance Framework to Build My Preferred Future

When applying Connolly's resonance framework described in Chapter 4 to B Corp there are multiple levels of focus including the workers in the businesses, the business leaders, the structure of the businesses, the communities they impact, and the movement that they collectively attempt to represent. All of these are potential elements in a resonance machine. This section will use Connolly's concept of resonance to project a future path for B Corp as a new type of organization, as a movement, and potentially as the eco-egalitarian resonance machine desired by Connolly.

### ***The Ethos of the B Corp Axiomatic***

Recall that Connolly describes an axiomatic as a set of institutional knots with dense tangles and loose ends, which contains elements that are more than random but not exactly structurally determined (Connolly 2008, 10). If the capitalist axiomatic elements includes evangelical Christians, cowboy capitalists, right-wing media, the priority of private profit and wealth, free markets, and commodities treated as consumption goods (Connolly 2008, 10, 23), what are the elements in the B Corp axiomatic?

In terms of primary actors, B Corp's annual report recognizes a growing audience of 6.1 million conscientious consumers, a community of triple-bottom line businesses, and mission-aligned investors as being the core actors of its institution (B Lab 2012a, 2,14). The consumer base that would resonate with the values of B Corp is also larger than expected with:

- 68 million US consumers stating a preference for making purchases based on their sense of social and environmental responsibility

- 49% of Americans stating they would boycott companies whose behavior is not in the best interest of society and
- 86% of consumers stating they would switch their current brand to a brand that is socially responsible if quality and price were equal (Makower 2012).

To uncover more elements relevant to the B Corp axiomatic, we can explore its ethos and identify other groups that resonate with it.

Firstly, recall that the B Corp ethos is different than its creed, which is its statement of shared beliefs. The B Corp creed is shared through its web site, assessment tool, Declaration of Interdependence, and annual report where the language used reflects the tone of B Corps' engagement with the world. Such language includes "offering a positive vision of a better way", "redefining the success of business as solving social and environmental problems ", "creating high quality jobs and improving the quality of life in our communities", "creating higher standards", "attracting partners", "creating value for society", "being inclusive", "being humble", "walking-the-talk", and "championing healthy environments."

Ethos is rather the shared spirituality of individuals cultured through their experiences. The interviews with B Corp leaders mined the aspects of their spirituality, in the form of self-developed beliefs. The importance of this methodology is to gain insight into B Corp's ethos of engagement, which is its shared spirituality, not its shared creed, and which better informs the shape and tone of its relations with others.

Using the results of the interview analysis, the ethos of B Corp is summarized in this diagram from Chapter 4:



A good way to assess if this is a complete and useful summary is to note that Connolly insists that an institution would essentially collapse if its ethos were removed (Connolly 2008, 2).

Looking at the above list of ethos elements, I believe B Corp would collapse if these key beliefs were removed from a significant number of its leaders. As such, we will work with this description of the B Corp ethos.

Again, the ethos is important in determining who is part of the axiomatic and how it interacts with other external entities, especially in resonate and non-resonate ways. Connolly emphasizes that while the ethos of an institution is seldom articulated explicitly, it finds expression in orientation toward others outside the fold (Connolly 2008, 4). Given the B Corp ethos as we now understand it, which groups might it resonate with it over the next 30 years? In

addition to the conscientious consumers, triple-bottom line businesses, and mission-aligned investors spelled out as constituents in the B Corp creed, the ethos would resonate with renewable energy companies, socially and environmentally focused non-profits, educators, environmentalists, left-wing politicians, generation X and Millennials, political activists, progressive professionals providing pro bono services and support, and agencies focused on economic development.

A final surprising resonance with B Corps is that of young entrepreneurs, some who identified themselves as Republicans in my interviews. While Connolly was sure that the counter-machine would come from the Democratic left, the younger generation blurs the line between social, environmental and traditional Republican values. Greenbiz's State of Green Business Report found that 88% of MBA grads would take a pay cut to work for a company that has ethical business practices (Makower 2012), and it is doubtful that 88% of America's MBA grads are all Democrats. In fact 2/3 of employees consider the social and environmental record of a company in deciding where to work (Makower 2012), making the general work force resonate with the B Corp ethos.

All of these actors together form the axiomatic of B Corp now and into the future.

### ***Assemblages Affecting the B Corp Axiomatic***

Recall that an assemblage is the gathering or conjunction of elements that together somehow influence the axiomatic (Connolly 2008, 1,12). This leads to the question: what assemblages are influencing the B Corp axiomatic?

Since the B Corp movement is led by businesses that, in the current real world, have little choice but to mostly operate and compete in traditional markets, the assemblages outlined by Connolly also have influence on B Corps. For example, the capitalist assemblage consists of

the ways that state policies, educational institutions, media practices, church tendencies, class experiences, and scientific practices relate to and influence the capitalist axiomatic (Connolly 2008, 11). Since B Corps operate in the capitalist markets, the capitalist assemblage must operate on B Corps as well.

One of the central claims of the capitalist assemblage collectively against B Corps is that it takes the focus off of profits rendering the organization less or not at all effective in a capitalist market. This was stated as fact by a professor in an economics class I took at the Shidler School of Business. A study found this is the common view of B Corps entering public trading by traditional investors (Salmon 2012). B Corp has thus far addressed such concerns by directly comparing the financial performance of B Corp companies against those that do not declare themselves as sustainable businesses. The need for such measurement can be directly attributed to the capitalist assemblage.

A secondary claim from members of the capitalist assemblage states that B Corp certification, and the legal framework surrounding it, is unnecessary since corporations could voluntarily set up their companies legally to take into consideration stakeholders such as the community and the environment without B Corp legislation (Noked 2012, 2). Yet critics of this view state that in most cases, traditional companies will create practical, if not legal, pressure to favor profit maximization over social good when the two come into conflict (Reiser 2011, 2). Still B Corp critics emphasize that the broader interests of responsible corporate governance are ill-served by creating a false dichotomy between “good” and “bad” companies based on the law that governs their conduct rather than on the choices made by those who run them (Noked 2012, 5). To address such concerns, B Corp directly compares the performance of B Corps against other businesses that are not B Corps but declare themselves as sustainable (B Lab 2012,18). The results show that B Corps score 25% higher on assessments that compare the



impact of the companies on workers, community, and the environment via 200 metrics (B Lab 2012,18). This demonstrates that there is benefit in the certification for ensuring that companies “walk the talk”. Once again, such efforts on the part of B Lab are in direct response to claims from the Capitalist assemblage, which will continue to exist and continue to bring forward challenges to the B Corp axiomatic.

A media assemblage also seems relevant to the B Corp community, although it certainly is not the right-wing media machine. Headlines reported in the B Corp annual report include “B Corp. provides what is lacking elsewhere: proof.” from the New York Times; “The highest standard for socially responsible business.” from Inc.; and “B Corps may be like civil rights for blacks or voting rights for women – eccentric, unpopular ideas that took hold and changed the world.” from Esquire (B Lab 2012, 16). With 256 articles published in 2011 including The Wall Street Journal, The Economist, and Bloomberg Businessweek, the media machine building behind B Corp is diverse and not as easily characterized as the right-wing media machine (B Lab 2012, 16). In addition, B Lab created an advertising campaign where it paid for fully page advertisements in many print magazines and newspapers globally, providing incentive for those media channels to be supportive. And finally, individuals and organizations other than B Lab are creating B Corp specific media channels such as B Corp Magazine and the B Corp Handbook. This media assemblage interacts with the B Corp axiomatic by promoting it, uniting it and providing a voice and presence across many diverse sectors of society and the economy, which in turn affect the trajectory, momentum, and ethos of engagement of the movement.

### ***B Corp Resonance and Reverberation***

Let’s return to the ultimate power of Connolly’s approach, which identifies that resonance and reverberation create an impact of an axiomatic that is greater than the sum of its parts. I

believe this is what changes an axiomatic into a powerful machine. The usefulness of Connolly's approach is twofold: 1) in guiding an exploration of resonance and reverberation within the B Corp ethos 2) in guiding an exploration of resonance and reverberation of external actors working in favor and against the B Corp movement.

The usefulness of the concept of resonance in the ethos of B Corps begins when attempting to understand the movement's paramount focus on the triple bottom-line of healthy profits, healthy communities, and healthy environments. Traditionally, these components are viewed as trade-offs where profits increase as you lower wages or externalize pollution to be handled by the environment and communities. This is the causality that has been so limiting and damaging, not only in economic models, but in practical applications in the organization of businesses. Placing these in a linear equation, where profits increase as pollution increases or profits increase as labor costs decrease, has been central to the problem of business. The concept of resonance applied to these three purposes allows the organization of business to be viewed through a completely different lens. Many B Corps structurally organize and operate under the notion that a healthier community and healthier environment means healthier profits for the business. They assume that the environment, the community, and the profits of the business resonate together so that as all three thrive, the overall benefit is greater than the sum of its parts. This concept of resonance, rather than competition or trade-offs, between such components of B Corp organizational values and operations is a central resonance mechanism within the B Corp ethos.

In exploring resonance and reverberation, the earlier discussion on ethos resulted in a list of potentially resonate entities including conscientious consumers, triple-bottom line businesses, mission-aligned investors, renewable energy companies, socially and environmentally focused non-profits, educators, environmentalists, left-wing politicians,

generation X and Millennials, political activists, progressive professionals providing pro bono services and support, agencies focused on economic development, and MBAs. But we also must explore entities or circumstances that might be non-resonate with B Corp.

In its annual report B Lab states the following:

Government and the nonprofit sector are necessary but insufficient to address society's greatest challenges. Business, the most powerful man-made force on the planet, must create value for society, not just for shareholders. Systemic challenges require systemic solutions and the B Corporation movement offers a concrete, positive, market-based, and scalable systemic solution (B Lab 2012a, 6).

This statement seems to place business as superior in importance to the nonprofit sector in addressing societal and environmental challenges. Perhaps this has contributed to concern and even pushback from the nonprofit sector. The Nonprofit Quarterly reported the following concerns about the emergence of B Corps:

We will see the first serious challenges of B corps into local and state government contracting processes that have historically been directed to community nonprofit[s]. If so...there will be increased competition between the private (B Corp) and public (nonprofit) agencies for contract revenues for services such as basic needs (such as healthcare, mental health services, low income housing). As the activities of nonprofit and for-profit organizations continue to blur with the commercialization of charities and the growth of socially purposed taxable entities, we'll see stronger push back from regulators and critics. The IRS will place greater scrutiny on whether nonprofits are properly reporting unrelated business taxable income and paying unrelated business income tax. Nonprofits will respond with increased use of taxable subsidiaries. Critics of the 'hybrid' entities like the benefit corporation will be increasingly vocal, warning legislators not to give preferential treatment to such entities because of the ease of greenwashing and encouraging attorney general oversight (Brainard and Siplon 2004).

Whether B Corps are perceived as resonating with or working against the nonprofit sector, it seems indisputable that they are changing the landscape of relationships between players aimed at serving the public good.

This section summarizes the resonate and non-resonate players that must be considered in designing my preferred future for the economy. The next section integrates all the actors and processes described thus far into my preferred vision of a New Economy in the year 2050 after all these forces and trajectories have played out according to current trends and dynamics and my assumed trajectories for them into the future.

### **5.5 A Trajectory to my Preferred Future New Economy in 2050**

*My preferred vision for a future New Economy begins with the focal issues, key trends and drivers outlined in the transformational scenario described above. I will apply William Connolly's Resonance framework to expand the elements and dynamics of the scenario, incorporating the seven guiding principles for a New Economy and key strengths and opportunities of the B Corp movement developed in Chapter 4, as well as Feldmann's framework for social movements. Combined, the results of the data analysis and useful frameworks from many interdisciplinary fields will create a meaningful landscape of my preferred economic, social and political future.*

The Futures framework applied to B Corp revealed surprising key factors as highly relevant to the scenarios. These included the neoliberal paradigm, the end of oil, and the coming to power of the Millennial generation. Interestingly, I know much about the energy and renewable energy industry. Not only have I studied the subject for quite some time within my Master's degree in Urban Planning, I have a company that works in energy efficiency and is networked with the major energy players in my region and I was a founding Board Member of Women in Renewable Energy, a non-profit organization created to network and inform women working in the renewable energy field. The end of oil is something I've explored greatly and I feel I have much to contribute on the topic. Additionally, I have written extensively about the neoliberal agenda, including its flawed foundation and negative impacts for people and the

environment. And personally I have lived this in my career. I have actively worked in integration with the Millennial generation, designing internship programs for them, running their student organizations, teaching them in higher education, and employing them in my company. However, what I have never tried to do is to link these three together. Using Connolly's method of exploring resonance machines, axiomatics, problematics, assemblages, and other ways of relating such as through spirituality and ethos, I now turn to exploring the intersection of these three key variables with the B Corp movement through Feldmann's stages of a social movement.

Feldmann's framework of four stages of a modern social movement show what must happen, and what must be avoided, at each stage for a movement like B Corp to be successful. Additionally, the key drivers that emerged from the Futures framework must be engaged with their resonance increased in the case of renewable energy and Millennials, or decreased in the case of the neoliberal paradigm, for the movement to grow according to Connolly's theory. This section will look at each of the four stages as a trajectory to my preferred future.

Recall that at Feldmann's first stage an organization is usually required to create an infrastructure that gets people to take part through *awareness* and often includes creating a symbol, hash tag, initial event, or an experience. To engage the Millennials is an interesting challenge since Feldmann's research revealed that Millennials are skeptical about large organizations and institutions. They believe that institutions start with a group of people that care, but as they become a formalized organization and grow, they eventually rise against the collective power of the people that care about it. Yet Feldmann also found that if an institution already exists that resonates with the belief system of young people, they can be attracted to the organization as long as institution doesn't try to attach them to the institution, but rather gives them power and ownership to facilitate their self-organization. This knowledge can be

leveraged to engage Millennials in a way that's meaningful to them at this stage. Since Millennials are trying to find their place in the emergent work landscape, B Corp can provide a path directly from school or from a job they don't find fulfilling by providing self-organizing platforms for professional development and job placements. Such a platform would have to resonate with what Millennials care about including career paths that can actually go somewhere in a reasonable amount of time, meaningful mentorship, work-life balance and integration, community, a value-aligned brand and a means of self-promotion and networking. Such a global platform, and related community engagement events at the local levels, would prove a meaningful threat to the neoliberal paradigm. It would facilitate the interconnection of the main players of an alternative economy that would be as easy to access as the status quo employers. Such a platform would also resonate with renewable energy companies seeking a workforce and to promote themselves. B Lab could further engage renewable energy companies into the movement at this stage by specifically targeting them to get B Corp certification and providing a specific multi-media campaign to promote renewable companies as B Corps.

Stage 2 involves creating belonging through collective action. Facilitating Millennials to engage in B Corp related activities relevant to their demographic such as matching them with B Corp leaders for mentorship, creating internships, providing open-source education on economic reform, and providing MBA specific curriculum are just some opportunities. Many corporations from the neoliberal paradigm, especially from Wall Street, visit campus groups as early as freshman year to begin to influence students' academic and professional trajectory. B Lab could provide a platform for B Corp companies to locally recruit and be known, providing an alternative to the neoliberal paradigm. There again could be an emphasis on connecting local renewable energy initiatives with Millennials. B Lab could also provide economic opportunities

for renewable energy companies by connecting them to the other B Corp businesses that might purchase their energy, or support their political activities for favorable renewable energy policy. Leveraging the entire B Corp movement to get behind transitioning oil subsidies to support renewable energy development is a prime example of an opportunity B Corp could facilitate. The media assemblage described above could be used to leverage all these components including promoting the online platform, related events, sales of renewable energy, campaign to support renewable energy, promotion of companies, featuring of Millennials etc.

Phase 3 must move participants from acting from a sense of belonging to acting from a sense of ownership and believing. At this stage, what B Corp stands for must be internalized for the participant. B Lab should be able to step away and the participants still take action. Ideally, renewable energy companies and Millennials would have gained enough value from the previous two stages that they now identify themselves as part of the B Corp movement and are invested in its success. When B Lab steps away this is the greatest opportunity for the neoliberal paradigm to step in and take hold, but if the values and belonging have turned to ownership than criticism or other offers fall on deaf ears. Using the media assemblage to promote the superior performance of B Corps in status quo metrics including the percentage of investment dollars in impact investing and the increased profits of B Corps when compared to other companies would ensure the participants have ammunition to point to in defense of B Corp.

Stage 4 requires that there must be consistent and continual action going forward to sustain the movement beyond one-off actions. Participants must act from an ingrained belief system. Core participants would put up a fight for the movement and would miss it if it folded. A global coalition advocating for renewable energy policy could form under B Corp without B Lab's influence. Leveraging the B Corp brand they could unite all resonate participants in the

axiomatic described earlier to create a focused effort on influencing energy policy from a business perspective. Renewable energy is often positioned as a disadvantage for business in traditional economic models so global companies aligned under the B Corp brand could stand for the voice of business that knows otherwise, especially when considered over the next 30 years. Renewable energy resonates with Millennials as shown by a survey I conducted with 400 Millennials across The University of Hawaii campuses, which revealed that global warming was the issue they are most familiar with and renewable energy is their #2 sustainability topic of interest after food. A strong identity of leading renewable energy efforts would increase resonance with Millennials. Millennials are also brand and tech savvy so they could leverage boycotts of status quo companies promoting B Corp as an alternative they believe in. They could lead consumers to become exhausted with the domination of multinationals and the resulting global homogenization of culture. This exhaustion would reverberate with the growing discontent of the global labor force and the growing awareness around social and environmental issues, resulting in greater public demand for socially and environmentally conscious governments, corporations, products and services.

It would also serve the B Corp movement to find a means to create “B Corp for life,” such that there are educational modules, consulting networks for companies, and professional certifications to keep participants engaged in B Corp even as they change locations and jobs.

## **5.6 The Resulting Vision of My Preferred Future in 2050**

### ***The 2017 Revolution***

Following the election of U.S. President Donald Trump the world was in shock. Pundits and citizens alike reeled as they tried to make sense of America’s choice. Deconstructions of the events leading up to the election revealed a hidden trend that was not obvious in the



moment, but became clear in the aftermath of the election. America was done with America. And it was about time.

### ***America at the Time of Trump***

Much like it took decades to nail down the Industrial Revolution by capturing its dynamics in its eventual naming, history would take its time in defining the global fatigue with globally exported Americana. And America was the last to join the global culture of unrest with all America stood for. Neoliberal politics, free market ideology, homogenization of western culture, exploitative business practices. Not all were only American, but America was their poster child and the world was over it.

The global unrest funneled protesters into the streets as the widespread use of the internet empowered people to connect with information and each other like never before. Facebook was flooded with pain from shocked activists who admitted they had become complacent in the Obama years, believing all was going in a good direction and they could coast in their efforts. Others celebrated that career politicians who were manufactured from *the system* no longer ran the system. Most agreed that those who felt left out of the political and economic machine had used their voices, even if they didn't know what they were saying. Unrest with status quo ruled the day.

Yet fear and turmoil prevailed as those who voted for Trump voted for a system overhaul, while those who didn't now lived in terror of his racist, sexist, nationalist, even fascist, views. A revolution was coming, but of what flavor no one knew. On-line conversations woven together from blogs, Facebook posts, organizational leaders, pundits, academics, and world leaders united in asking: "How did this happen?," followed closely by: "What can we do?" Others celebrated under the notion that "*Now we'll really see change.*" Organizing began.

Solutions that had laid dormant for decades found new footholds. Quiet voices on the fringes grew bolder. Organizations that had worked in isolation started connecting and magnifying their impact together. Bernie followers searched for another candidate that could take on Trump in the next election. Climate change crusaders rose with indigenous communities around the world to protect water and land and keep the Paris agreements intact. Wars over resources became a prime target of demonstrations globally enacted by repressed populations united by anti-American sentiment.

Markets plummeted, but recovered quickly as free trade agreements that originally seemed threatened by Trump's election promises actually resulted in increased pressure from leaders of developed countries on the new President, to which Trump succumbed. Rather than multi-lateral agreements that drew mass global attention, many bi-lateral agreements formed between privileged and developing countries quietly opening entirely new avenues of exploitation. Global travel increased as foreign markets opened causing more and more individuals to have direct experiences with the cultures in which they did business. No longer seeing America as a desirable carefree land of privilege as promoted by multi-national life-style brands, host cultures to new American businesses became more resistant to acquiescing American culture. They began to stand firmer, demanding better working conditions and pay for their people as they did not trust the business first, people last, ethos of Trump.

Resources globally were dwindling as land and water increasingly became the properties of corporations which, as described by Canadian journalist Naomi Klein, started to effect the lives of privileged white people who were more resourced in fighting back. Global warming, while viewed as a hoax by the American President, was empirically obvious to every person on Earth who had lived longer than ten years as they could notice unexplainable changes in weather patterns wherever they lived on earth. The ignorance of President Trump in

this regard, along with his sexist and racist demeanor, plummeted relations between America and developed countries that considered themselves as progressively moving forward in the areas of equality, inclusivity, and climate action, not moving backwards as America seemed to be.

### ***The Power of Business in the Era of Trump***

The world at the time of Trump's election was one where business functioned as a ubiquitous superpower with global reach and resources beyond any one government. Shock doctrine tactics, as described by Naomi Klein in her book *Shock Doctrine-the Rise of Disaster Capitalism*, free trade agreements such as NAFTA, and other mechanisms of globalization combined to propagate free market ideology and policies globally so that it permeated most corners of the global economy. Global organizations such as the World Trade Organization seemingly designed to oversee global business actually functioned to serve the goals of global business. Trade agreements repeatedly resulted in countries handing over their social and environmental capital in exchange for business opportunities. Other efforts to organize transnational business such as the European Union proved dysfunctional with the divisive results of Brexit. Business was more powerful globally than anything that tried to govern it.

In America, Trump was partially elected because people who lost their jobs in the 90s and lost their houses in 2008 somehow believed that someone savvy in business could bring those things back. They believed Trump's success in business would inevitably lead to success in governing, which most importantly meant governing to recover the economy. Voting for Trump meant that people believed in the ability of business to rule the people better than the political system they were currently living in. And business in those days meant free market ideology where the role of government was to get out of the way of business. It was this very

belief in business that dominated the hearts and minds globally and nationally that caused the leaders of resonate American alternative business organizations to come together to discuss solutions.

### ***The “Business for a New America” Round Table***

At the time of President Trump’s election B Lab, the American non-profit organization that had certified over 1500 businesses for the socially and environmentally beneficial practices, called an emergency summit and invited American alternative business leaders that resonated with their core value of using the power of business as a force for good. The following organizations, listed with their mission, global affiliations, and regional and global membership numbers in Table 2, were at the table to discuss what they could do as business leaders to create a New America.

Table 2. American Based Alternative Business Organizations as of 2016

American Organization	Mission	American Membership	Global Reach/ Affiliation
B Lab	<p>1) Building a global community of Certified B Corporations who meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability;</p> <p>2) Promoting Mission Alignment using innovative corporate structures like the <u>benefit corporation</u> to align the interests of business with those of society and to help high impact businesses be built to last;</p>	931 certified companies	<p>-50 countries</p> <p>-130 industries</p> <p>-1006 global certified companies</p>

	<p>3) Helping tens of thousands of businesses, investors, and institutions Measure What Matters, by using the B Impact Assessment and B Analytics to manage their impact—and the impact of the businesses with whom they work—with as much rigor as their profits;</p> <p>4) Inspiring millions to join the movement through story-telling by B the Change Media.</p>		
Fair Trade Federation	<p>1) Create Opportunities for Economically and Socially Marginalized Producers</p> <p>2) Develop Transparent and Accountable Relationships</p> <p>3) Build Capacity</p> <p>4) Promote Fair Trade</p> <p>5) Pay Promptly and Fairly</p> <p>6) Support Safe and Empowering Working Conditions</p> <p>7) Ensure the Rights of Children</p> <p>8) Cultivate Environmental Stewardship</p> <p>9) Respect Cultural Identity</p>	952 certified companies	<p>Fair Trade Labeling Organization International -19 countries -1210 certified companies</p> <p>World Fair Trade Organization -67 countries -367 certified companies</p> <p>Network of European Worldshops -13 countries -2500 certified companies</p> <p>European Fair Trade Association -9 countries -11 certified large importers</p>
Green America	To harness economic power—the strength of consumers, investors, businesses, and the marketplace—	4000 certified companies	EcoVentures International

	<p>to create a socially just and environmentally sustainable society by:</p> <p>1) Focusing on economic strategies—economic action to solve social and environmental problems.</p> <p>2) Mobilizing people in their economic roles—as consumers, investors, workers, business leaders.</p> <p>3) Empowering people to take personal <i>and</i> collective action</p> <p>4) Working on issues of social justice <i>and</i> environmental responsibility.</p> <p>5) Working to stop abusive practices <i>and</i> to create healthy, just, and sustainable practices.</p>		-Ventures in North America, Latin America, Caribbean, Asia, Pacific, Africa
American Sustainable Business Council	To advance public policies that ensure a vibrant, just, and sustainable economy.	Members include 200,000 companies and more than 325,000 executives, owners, investors, entrepreneurs, and business professionals	
Association for Enterprise Opportunity	To provide an umbrella organization for microenterprise development organizations in the U.S.	176 organizations representing two million entrepreneurs	
BALLE (Building Alliances for Local Living Economies)	To move beyond “business as usual” to promote collaboration over competition to create healthy, equitable, local economies.	87,500 companies	

Impact Hub	To be a social enterprise community center and business incubator.	14 locations, 4200 company leaders	72 locations, 12,000 company leaders
SOCAP (Social Capital Markets)	To accelerate a new global market at the intersection of money and meaning.	2000 member companies and investors	
Campaign for Safe Cosmetics	To protect the health of consumers and workers by securing the corporate, regulatory and legislative reforms necessary to eliminate dangerous chemicals from cosmetics and personal care products.	1100 member companies	European Public Health Alliance
Ceres	To mobilize business leaders to address sustainability challenges such as global climate change with a mission to integrate sustainability into capital markets for the health of the planet and its people.	16 large companies	
Environmental Paper Network	To accelerate social and environmental transformation in the pulp and paper industry. Its goals are to protect the world's last endangered forests, safeguard our global climate, and ensure abundant, clean drinking water and respect for community and indigenous rights.	100 member companies	
Green Chamber of Commerce	To support and promote socially and environmentally responsible businesses that have received a third-party green business certification.	750 member companies	
The Green Spa Network	To bring sustainable operating practices to the spa industry, and to promote the natural connections between personal wellbeing, economic sustainability, and the health of the planet.	65 member companies	Wellness Tourism Worldwide
Social Venture Network	To build a community of business and social leaders to build a just economy and sustainable planet	500 member companies	

	with a focus on the role of business leaders and sustainability.		
Forum for Sustainable and Responsible Investing	To provide an association for professionals, firms, institutions and organizations engaged in socially responsible and sustainable investing.	520 member investors and companies	Global Sustainable Investment Alliance
Conscious Capitalism	To use let purpose, culture, trust, compassion, and collaboration to guide value creation.	Chapters in 24 states	Chapters in 10 countries

### ***The Birth of the “Business for a New America (BNA) Party***

The results of the Round Table gathering focused their efforts into three key goals:

#### **1. CREATE A NEW POLICAL PARTY**

To build on the current power of business and the lower and middle class’s unrest with the status quo political-economic system to form a new political party aimed at using business to create a strong middle-class America.

#### **2. SET THE PARTY’S PLATFORM**

Convene a larger Summit of national and global resonate organizations to set the platform and agenda of the party.

#### **3. BUILD A MOVEMENT** Enlist these organizations in beginning a broad-based movement focused on electoral reform and promotion of the Party.

### ***Why They Believed They Stood A Chance at Achieving Their Goals***

#### **1. CREATING A NEW POLITICAL PARTY**

The lack of votes for Hillary Clinton partially reflected a fatigue with career politicians because there was a loss of trust in the political machine they seemed part of. The middle-class had suffered too much. The demonic role that government played in saving Wall Street instead



of the people as portrayed in movies like *The Big Short* exemplified how people viewed the government as the source of their suffering. That many voted for Berny Saunders, a self-proclaimed democratic socialist, generated interest in the 2016 Presidential Primaries. It was clear that those who supported Saunders were willing to vote for a non-traditional leader advocating for a system overhaul. The Business for a New America Round Table participants recognized the climate for change, especially in the area of the economy, but believed that business leaders were much better positioned to fix the economic system in which they understood the day to day realities. And they weren't the first group of business leaders who thought this way. History had shown that well-organized business leaders could influence politics. The Round Table discussed the Powel Memo at their gathering as an example of how business leaders had influenced political change to create the current political-economic system, and to discuss how they could do it differently.

In 1971, Lewis Powell, then a corporate lawyer and member of the boards of 11 corporations, wrote a memo to his friend, the Director of the U.S. Chamber of Commerce. He shared his great concern that there was a well-organized, broad-based threat to the private sector and included quotes such as this from Ralph Nader:

A great many corporate executives belong in prison — for defrauding the consumer with shoddy merchandise, poisoning the food supply with chemical additives, and willfully manufacturing unsafe products that will maim or kill the buyer...and I'm not talking just about *fly-by-night hucksters* but the top management of blue chip business.

Powell's memo resulted in a gathering of the leaders of companies responsible for 60% of the GDP with the goal to propagate free market ideology including the creation of right-wing and anti-global warming institutions such as the Heritage Foundation and the Manhattan Institute. They also influenced the 1978 decision that effectively invented a First Amendment right for corporations to influence ballot questions, and also influenced the Reagan Administration's *hands-off business* philosophy.

Ultimately, they provided an example of how a well-organized group of business leaders could force the agenda of the private sector into center stage of American politics. The premise of the Business for a New America Party was that they could do the same. Yet this time they decided to *be* a party rather than *co-opt* a party. In voting for Trump, America had shown its ability to select a business leader rather than a politician to govern. The Party decided to build on that momentum. Since Americans were tired of being left behind and thought business leadership could solve their problems, the new Party would offer this, but would leverage different values to do it. Rather than being led by business leaders focused on self-preservation, their efforts would be led by business leaders focused on the greater good. Instead of seeing the private sector as self-serving, they would position it as community serving. Instead of paving the way for businesses to exploit people and the environment, they would evolve the role of business to benefit both. Rather than trying to create wealth concentration, they would aim to create wealth distribution.

## 2. SETTING THE PARTY'S PLATFORM

The two-part strategy of this goal included 1) engaging as many resonate organizational partners as possible in the discussion to set the party's platform so they would in-turn leverage their members and resources to move the party's agenda forward to accomplish the 3<sup>rd</sup> goal, and 2) setting a platform that was impactful and accessible to voting middle-class Americans. Since all participants in the Round Table had a number of significant partners they easily gathered leaders from an additional hundred organizations in working groups focused on different areas of the agenda. Hundreds of participating organizations such as The International Labor Rights Forum, 1worker1vote.org, and Americans for Financial Reform spanning expertise in issues ranging from women and minority rights, economic, political and election reform, workers' rights, community economic development, climate action, environmental protection,

human rights, etc. came together in a two-week long Summit to discuss all relevant areas of the agenda.

### 3. BUILD A MOVEMENT

Modern social movement theory showed how to use meaningful symbols, social media, events, experiences, and activities, and to build a movement amongst diverse stakeholders. Using the print and social media channels of all participant and this movement building theory the Round Table believed they could create a broad-based grass roots campaign to create four years of engagement fueled by anti-status-quo sentiment and equitable inclusion in the economy for all. The party aimed to engage everyone who wanted change. This included anyone who felt like they had been forgotten by the political and economic system including Obama lovers, Democrats who voted for Sanders, Republicans who voted for Trump, and women and ethnic minorities who voted for Hillary Clinton.

#### ***Principles Guiding the Party's Agenda***

Many of the working groups began their discussion exploring the popularity of Bernie Sanders, which showed that the people were willing to get behind something unexpected. While the defeat of Sanders perhaps indicated that socialism wasn't the answer of the time...America still associated socialism with communism, anti-democracy, and anti-capitalism...what Sanders stood for obviously resonating with a good chunk of Americans and was worth building on. But what was that exactly?

The working group exploring the intersection between Millennials and their political-economic views concluded that a Time Magazine article published in 2016 by a Millennial author best characterized the challenges and hopes of this generation. They found Millennials primarily framed the big-picture problems in economics terms such as living in austerity

measures, buckling under skyrocketing student-loan debt, high unemployment, and a lack of affordable housing. The author described the resulting resonance with Sanders who said society is rigged for the rich, called for corporations to start paying their fair share of taxes, promised to break up the Wall Street banks and wanted to raise the minimum wage to \$15 an hour. For his generation, he indicated that humanitarian concerns closely followed and were entwined with economic concerns such as recounting that “many of us cannot remember a time when the U.S. was not dropping bombs on the Middle East.” Political mistakes and pivots of the past could no longer be hidden as everything was available on the web. Integrity of leadership mattered, and was searchable, by this generation. Sanders was celebrated as “a champion of the oppressed throughout his entire political career—even when it was not popular.” And while the author noted that “single-payer health care, free public college, campaign finance reform, and racial, economic, and climate justice may seem unrealistic today, so did the crusades for civil rights and marriage equality. Unless we fight for our dreams and what arguably belongs to us as human beings—a life of freedom and dignity—we will never achieve any of it.” While the *solutions* described by the author might not have wide spread support, the participants believed his article encapsulated the *concerns* the Summit participants believed resonated with not only Millennials, but much of America. People felt left out and left behind and were hungry for inclusion and personal prosperity. These sentiments underpinned the agenda for the new U.S. political party.

To create the principles guiding the agenda one working groups took the ideas, values, principles, and goals from all Summit participants and distilled their meaning into the following guiding principles for the political agenda of the new party:

1. Government must regulate business to:
  - a. benefit the greater good including communities, the environment, and workers.
  - b. be accountable and transparent to the public.
  - c. Be responsible for negative externalities such as climate-change causing pollution, currently paid for by society.
2. All government spending must result in at least one of the following:
  - a. social and environmental improvements
  - b. more peaceful world relations
  - c. the fair distribution of economic opportunity and wealth
  - d. increased education and opportunities for economically disadvantaged citizens
  - e. work opportunities that are personally fulfilling, empowering, and prosperous simultaneously
  - f. gender and race equality
3. America must be a global leader in implementing global fair trade principles including:
  - a. fair product pricing
  - b. equal pay for equal work
  - c. globally standardized labor laws
  - d. globally standardized environmental laws
  - e. honest advertising
  - f. creating financial metrics that includes social and environmental considerations
4. Electoral reform must:
  - a. dismantle the electoral college
  - b. implement rank voting

- c. remove super-packs and corporate campaign funding
- d. include other measure to create a fair, inclusive democratic election process.

These principles were not designed to inform the public, but to rather underpin the policies the party would stand for. Years of work ensued in working out the details, but ultimately, the BNA Party framed that it was formed by business leaders uniting in creating a fair and prosperous economic reality for middle-class America. While not advertised in the high level rhetoric, creating environmental health nationally and globally were intertwined at every stage of the agenda. Presenting a new face of America to the world was also an underlying theme.

### ***The Global Paradigm in 2050***

The above trajectory led to a transformative future economy. In the year 2050 the eco-egalitarian paradigm has completely eclipsed memories of the neoliberal agenda. With all nations now participating in the global market the power of national borders has faded. It is broadly globally agreed that the actions of enterprises should benefit society and the environment and the resulting policies guiding the global market mechanism, legal structure of market players, and other regional and global policies are all designed to this end. There is also the agreed upon goal of democratizing ownership and wealth that builds upon this heightened consciousness regarding respecting people and the environment. Ensuring there is no considerable *wealth-gap* between rich and poor is a signature concern of this paradigm. This paradigm leads to the development of labor and environmental laws applied uniformly across the world according to alter-globalization and B Corp recommendations. Global warming, rising sea levels, an increase in erratic weather and natural disasters, and an effort to rejuvenate the past depletion of natural resources characterize this paradigm reinforcing eco-egalitarian views

as global citizens are constantly reminded of what can happen if they revert to an old capitalistic exploitive paradigm.

### ***Ethos of the Axiomatic***

The axiomatic is comprised of conscientious consumers, triple-bottom line businesses, mission-aligned investors, renewable energy companies, socially and environmentally focused educators, generation X and Millennials, political activists, progressive professionals providing pro bono services and support, and agencies focused on economic development. Connolly calls for a counter-ethos for the axiomatic and advocates for an affirmative ethos of economic life that includes engagement, egalitarianism, diversity, and care for future generations. The core elements of the B Corp ethos have become the global private sector ethos and include collaboration and networks, purpose and meaning, consciousness for people and the environment, positive impact for people and the environment, and work-life integration for personal fulfillment.

A central agency does not govern, but rather provides an impartial global service. To receive regional permits to operate an enterprise, all companies are mandated to be listed in a global directory held by this agency in the form of a searchable on-line data-base, where they also promote job opportunities on a global on-line platform, and enterprises must reveal their B Corp assessment standing. An annual audit of 10% of companies listed in the directory serves as a verification mechanism since any company found *greenwashing* must cease operations for five years.

Business leaders still want their enterprises to remain viable and successful in the terms that they deem important including maintaining profit margins, growing market share and revenue, and maintaining quality standards. Since social and environmental benefit are

paramount concerns for the global polity, businesses ensure they are compliant not only to be globally competitive, but to be allowed to operate as this is a minimum standard for all enterprises.

Employees want fulfilling work and, at the very least, livable wages. The ethos of Millennials who view work as a key part of life, not a separate activity that needs to be *balanced* by it, is prominent. There is a strong emphasis on finding work that's personally fulfilling, and affords the opportunity to make new friends, learn new skills, and connect to a larger purpose.

Media is primarily comprised of the Internet and social media to expose issues and mass mobilize. Consumers want products and services that are affordable and that they can trust. They still select products and services primarily based on price since global laws have ensured that all companies act with a sense of social and environmental responsibility.

## ***Policy***

As a hybrid model of rules and self-organizing, policy regarding the economy aims to be democratic and accountable with an appropriate framework of rules within which people, communities, entrepreneurs, and responsible investors self-organize in predominantly local markets to meet their needs in socially and environmentally responsible ways (Hawken, 1993, 82). From this perspective, markets work optimally only if they are embedded within broader social and legal norms, rules, and institutional practices (Ruggie 2013, 201). The following sections outline policies reflecting such a role of government.

### Internalize Externalities

Corporations are responsible for the entire *cradle to grave* cycle of their products in two important ways. A global tax is applied to the emissions from the energy consumed in creating the product. The tax monies are funneled directly into subsidies provided to companies for the



use of renewable energy. Secondly, all products must be reclaimed at their end of life by the company that produced them. This incentivizes companies to create products that can be reused or usefully recycled at low cost at their end of life.

#### Metrics and GDP

All global organizations generating revenue of any kind must universally report metrics based on the B Corp assessment tool evolved annually through a global community of academics, business leaders and governmental agencies randomly selected each year from across the globe and representing all sectors of society. The global prosperity measure (GPM) has replaced GDP and reflects the main line items of the B Corp assessment tool used globally by all companies to report their monthly metrics. All data is aggregated automatically real-time by region and sector to show collective impact and trajectory.

#### Labor Policy

Short term contracts are not allowed and all work positions must include benefits. The firing of an employee must be proved to be based on the incompetence of the worker or the limited resources of the company. The global workweek cannot legally exceed 40 hours per week with one-year maternity/paternity leave and ample sick and flex leave, all paid for by central government from business taxation. The ratio of highest to lowest paid worker within any institution cannot exceed 5:1 and 50% of all profits must be distributed to the benefit of workers.

Professionals and anyone overseeing personnel and/or company strategy must attain on-going professional development credits through on-line massive open courses that ensure they are up to date in best environmental, social and economic practices related to their unique job.

### Global Monetary Policy

All currency must be pegged to gold. Each tangible asset can only have financial assets related to it that are equal or less in value to the real asset. Debt accrued by any individual or organization can only be equal to the real income or revenue of that individual or organization.

### Corporate structure

Corporate governance includes a mandatory Advisory Board of officers from the business, as well as an equal number of randomly selected community leaders including politicians, educators, other business leaders, students etc. They are paid to be on the Board that must meet once per month to review key metrics in the areas of profits and community and environmental impact.

### Corporate taxes

All businesses pay 10% of revenue to taxes directly used for these benefits as well as renewable energy for businesses, zero interest business loans, micro-financing, and regional cooperative service organizations (CSOs) as described next.

### Bioregional Policy

Every bioregional polity must have cooperative service organizations to provide key services such as banking, education, health care, utility and food provision.

## **5.7 Recommendations – A Discussion About Capitalism**

In their article “Adam Smith and the Ethics of Contemporary Capitalism,” Business Management professors, G.R. Bassiery and Marc Jones, synthesize over a century of perspectives to advocate that while most critiques of capitalism are launched from a Marxian-based perspective, the reality of contemporary capitalism can be usefully critiqued by Adam Smith’s thinking, which they state actually underpins several of Marx’s critiques (Bassiery and

Jones 1993, 622). Having read Smith's "The Wealth of Nations" I agree with their view that Smith's approach for a new economic system was profoundly ethical and designed to emancipate the consumer and average citizen from a producer dominated economy for freedom of choice in both work and the purchase of goods (Bassiery and Jones 1993, 621, 622).

Smith's thinking was structured on his foundational belief in the equality of human beings as demonstrated by statements such as: "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education (Wells 2014, 91)." Smith was motivated by a deep ethical concern for the average citizen who was exploited by the mercantilism of his time that benefited producers and entrenched interests at the expense of the consumer middle classes (Bassiery and Jones 1993, 621; Wells 2014, 90) with Smith stating:

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the customers, we may believe, whose interest has been entirely neglected; but the producers, whose interest has been so carefully attended to" (A. Smith 1776, 841).

Smith theorized capitalism to liberate the consumer and worker and foster a political economy which would be more democratic and responsive to the wants and needs of the individual (Bassiery and Jones 1993, 626, Wells 2014, 91). This leads to the framework of relevance for this section: Smith's own critique of the capitalist system he envisioned.

This critique of modern capitalism focuses on the economic system's effectiveness in raising the mean standard-of-living, the political system's inclusivity and benefits for the average citizen, and the ability for the individual to act in autonomy and empowerment (Bassiery and Jones 1993, 621, Wells 2014, 96). The relevance of these critiques are championed by Bassier and Jones and others and I support them because they hold

relevance in all economic systems. Consider the differences in concerns between a mercantile economy where goods are primarily bought and sold and a service economy where services are primarily exchanged. Also consider the differences between a manufacturing economy that is dependent on high capital means of production and a tech economy where the internet is the means of production. While some considerations vary greatly between these examples, the core elements of the critique described above can be applied to all economic systems.

I bolster Bassier and Jones's summary of Smith's critiques with other scholarly articles discussing Smith's views as well as my own interpretation of Smith's writing. Together they create a critique comprised of his ideas around the potential dysfunction of his current economic system, as well as his proposed economic system, which was later called capitalism, and serve as a useful framework for critiquing modern capitalism.

#### 1. Concentrations of Wealth

Smith feared that his model could result in the concentration of resources and "unjustified awards" in joint-stock corporations (Bassier and Jones 1993, 621; Scott 2011, 30, A. Smith 1776, 778). Rather than accumulate wealth, Smith advocated that it should be distributed for the "maintenance of productive labor" and warned that if this is not done then "the capital of the country, instead of increasing, gradually dwindles away (A. Smith 1776, 778).

#### 2. Unfair Political Influence

He also feared unfair political influence by those with concentrations of wealth, effectively "expanding the ranks of the idle rich" (Bassier and Jones 1993, 622) with governments responding to influence from the business elite resulting in "selective privileges" (Wells 2014, 96).

3. Unethical Intentions Against the Public Good

Smith sternly warned that legislative proposals from the business sector should be closely scrutinized since they were likely to be brought forward with the “general interest to deceive and even to oppress the public” (A. Smith 1776, 359, Wells 2014, 92, Zalta 2015).

4. Too Small a Role of Government

Smith did not favor a complete laissez-faire government as has often been inferred. He believed that states could and should re-distribute wealth to some degree, and defend the poor and disadvantaged against those who wield power over them in the private sector (A. Smith 1776, 414, Zalta 2015).

5. Too Large a Role of Government

Smith wanted the state to end all policies, common in his mercantilist day, designed to favor some industries over others. Smith believed strongly in the importance of local knowledge to economic decision-making, and consequently thought that business should be left to businesspeople, who understand the particular situations in which they work far better than any government official (Zalta 2015).

6. Producer Manufactured Consumption

Smith did not believe a fair and effective economic system manufactured demand. He critiqued the mercantile system of his day as follows:

The interest of the home-consumer has been sacrificed to that of the producer...creating a great empire for the sole purpose of raising up a nation of customers who should be obliged to buy all the goods with which these could supply them...and the home- consumers have been burdened with the full expense of maintaining and defending that empire (A. Smith 1776, 414).

#### 7. Diminished Worker Happiness

Smith worried that producer manufactured consumption would grow in resonance with the impoverished spirit of workers through the routinization of work and progressive deskilling of the worker resulting in the replacement of personal skills, interests, and objectives with the vulgar pursuit of consumption (Bassiery and Jones 1993, 624).

#### 8. Stifled Worker Freedom

Smith also voiced concern for workers and advocated for a society with “perfect liberty” where every man is perfectly free to both choose what occupation he thinks proper and change it as often as he would like, so that “every man’s interest would prompt him to seek the advantageous and to shun the disadvantageous employment” (A. Smith 1776, 138).

Ultimately, Smith hoped his emphasis on small firms operating in competitive markets where no producer could assume a dominant position either directly through price-fixing or indirectly through privileges obtained from political influence would create a more fair and just world for the average citizen (Bassiery and Jones 1993, 621; Wells 2014, 96; Scott 2011, 29). He also believed this would lead to personal autonomy and self-determination allowing the mass of ordinary people to work for themselves in the market rather than for masters (Wells 2014, 96, Zalta 2015).

Many of Smith’s concerns have proven warranted. Capitalism as we know it has created mass separation of ownership and control, concentrated wealth in a tiny number of firms, and translated that concentration of wealth into political influence that benefits corporations over the average citizen undermining democracy (Bassiery and Jones 1993, 624). As discussed by Briskin and Schor earlier, work has increasingly become soul-sucking and Bassier and Jones

emphasize that our entire society has become vulgarized by the hegemony of consumption as demonstrated by the explosion of consumer, corporate, and government debt (Briskin 1998; Schor 1992; Bassiery and Jones 1993, 625). Ultimately, the current political economy of American capitalism is in deep crisis due to the concentration of economic and political power, the hegemony of consumption, the undermining of work enjoyment and thus work ethic, the dehumanization of the worker, and the accelerated destruction of the physical environment in service of all these forces (Bassiery and Jones 1993, 626).

So the question becomes, is the New Economy that B Corp advocates for just another idealistic façade on the same faulty structure of capitalism? To answer this question I will apply the critique framework outlined above to the economy as articulated by B Corp leaders and the B Corp movement.

1. Concentrations of Wealth

Wealth of a company can be retained and applied within the company or distributed to any number of stakeholders including shareholders, employees, and the community.

The point system in the B Corp framework rewards distribution of wealth, especially to those who engaged in creating it (the employees) and those in need. While companies reported giving profits to community and charity organizations there does not seem to be a high prevalence of employee ownership, even though it is highly rewarded in the assessment tool. As such, follow up research could explore how B Corp leaders think about the concept of employee ownership including if and how much they value it, if and how they currently operationalize it, and if and how they intend to operationalize it in the future. It would also be interesting to gather their perceived benefits and constraints to implementing employee ownership. Other valuable research would include exploring these same dynamics for employee profit sharing, community profit

sharing, reinvestment of profits in the company, and the investment of profits in other endeavors.

## 2. Unfair Political Influence

B Corp companies spoke negatively of companies and private sector industries that lobby for subsidies and special interests, especially in the finance sector. They also spoke against subsidies for polluting industries that create greenhouse gases and reward unsustainable economic endeavors. Rather than attempt political influence that would benefit their financial self-interest, B Corp's united legal activity thus far has been focused on expanding corporate law to allow the protection and inclusion of rites for employees, community, and the environment. As such, follow on research could include B Corp leaders' ideas and beliefs around the ethics of influencing political power, including to what extent, with what means and to what end.

## 3. Unethical Intentions Against the Public Good

Building on the previous point, B Lab does not advocate for a policy platform that would reduce special interests from the private sector. It rather strives to work with legislators to create laws that recognize businesses as legally protected if they should create an internal operating agreement to honor community, employees and the environment in addition to financial stakeholders. As such, they are not trying to leverage political influence that harms the public, but rather for the benefit of public, as well as the planet. This operationalizes the stated mission of B Lab to use business as a force for good. Values reported by B Lab leaders such as democracy, diversity, integrity, transparency, accountability, and benefiting the greater good also emphasizes ethical intentions. B Corp leaders also stated that they joined B Corp to help protect the public from *green washing*, which is the dissemination of false or incomplete information by an organization



to present an environmentally responsible public image. In all these ways B Corps strive to be an ethical player in all they propose for the public. Interesting follow-on research would include unearthing ideas around what further public good could be accomplished by the B Corp community.

4. Too Small a Role of Government and 5. Too Large a Role of Government

In his 2011 book “Capitalism, Its Origins and Evolution as a System of Governance,” Harvard Business School professor Bruce Scott follows the genealogy of the emergence of capitalism in conjunction with regional political systems. He concludes that the defining feature of capitalism is the establishment of markets not as a natural occurrence, but rather as an achievement of political decision making and actions of the state that define the systems of governance that enable and constrain economic actors such as firms (Scott 2011, 15). From this perspective, he defines capitalism as more than mere markets, but rather as an indirect system of governance that always includes political authority (Scott 2011, 27). He positions that not the market mechanism, but rather human agents from the political sphere, must play a role if the market framework is to reflect the public interest through proper recognition of true social costs and benefits (Scott 2011, 31). Free market advocates abhor the notion of government authority influencing markets due to perceived restriction of freedom as summarized by Milton Friedman:

The fundamental threat to freedom is the power to coerce...by removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement (Friedman 1962, 4).

Friedman omits the reality that government is not the only entity that can concentrate power. Scott emphasizes that within the private sector itself giant firms coerce the

government, smaller firms, and consumers (Scott 2011, 32). Scott ultimately concludes that omitting government, as Friedman advocates, creates economic freedom for large firms without any consideration to what freedom means for those within the private sector with less economic power, as well as citizenry with meager resources and education, all of which are not equipped to take advantage of free market opportunities (Scott 2011, 33).

While exploring the ideal role of government in business and vice-versa was not a central research question for this project, from the perspective of Smith and multiple scholars including Scott, it would prove an important area of follow on research that would be highly relevant in the discussion of a future economy.

#### 5. Producer Manufactured Consumption

The B Corp assessment tool specifically asks for the percentage breakdown of products and services that provide benefit to underserved populations, solve social problems, and benefit the environment. This effectively rewards products and services that truly benefit consumers rather than manufacture a need and then fill it. Relevant follow-on research in this area would include B Corp leaders' perspectives on marketing, consumption, and the ethics around what products and services warrant being categorized as a *force for good*.

#### 6. Diminished Worker Happiness

Increasing worker happiness emerged as a prevalent theme in this project with the emergent categories of putting employees first and treating them like family, valuing personal over technical connections, work-life balance, and having fun. There is recent research into what generally makes people happy in their lives, but it would be

interesting to explore if this differs or is transferable to what makes people happy in their work.

### 7. Stifled Worker Freedom

This point differs from the last in its emphasis not on happiness, but rather freedom, for the worker. In Smith's view an economic system should provide freedom for the worker in the forms of being able to choose work that matches their goals and interests, and to change work as these goals and interests change. This lies outside the scope of this project, but poses highly relevant follow-on research. The exploration would ideally include interviews with workers throughout B Corp companies to explore their views on freedom and their ability to obtain it in B Corp companies. This could be contrasted to traditional companies with the goal of illuminating how B Corp does or does not create a new arena of worker freedom.

### **5.8 Conclusion**

Connolly speaks to the importance of visualizing a future filled with positive affect since this can help mobilize the energy and insight needed to challenge the existing destructive status quo resonance machine at multiple sites (Connolly 2008, xiii). The vision painted in the previous section is certainly rosy, but remains purely academic unless something changes. Ideally it would be the global political and economic system. But the locus of change always comes back to people. Feldmann's research revealed common qualities of successful modern movement leaders, including their humbleness, passion for helping the issue, and being the best person they could be for their family and friends regarding the issue. He also noted that they did not focus on their success no matter how substantial, but rather felt like there was

much more to be done. They were truly driven by passion and by making an impact on the issues they cared about.

There are relatively few people who hold the concentrated power *and* are willing to leverage their privileged resources for the greater good; people who are willing to work together to change policy, people who were willing to resist, people who were willing to personally transform, etc. There is a place for business leaders amongst such people, yet while piece-meal examples sprinkle the literature, they don't yet show up as a coherent movement like B Corp. I am excited that I had this opportunity to situate the B Corp movement within the literature and, more importantly, explore its current and potential significance. It is clear that the structure of business has been a key part of the problem. I believe it can also be a key component of the solution.

## APPENDIX A: INFORMED CONSENT FORM

This research is being conducted to better understand the values, beliefs and ideas of entrepreneurs striving to build the Blue Economy. The Blue Economy in this research refers to a future stable and sustainable triple-bottom-line economy where environmental stewardship and social equity are woven into the DNA of a prosperous economy for all. We are interested in what motivated you to become a sustainable business leader, what challenges and opportunities you encounter, what values and beliefs drive you, and what ideas do you have and have you implemented for the creation of a thriving, just, ecologically sound Blue Economy. Participation in this project consists of agreeing to answer a series of questions focused on your values, beliefs and ideas about sustainable business and the Blue Economy.

Interview Goals: The results of this interview will:

1. Describe the values, ideas and beliefs of Blue Economy Entrepreneurs.
2. Analyze interviews and field notes to reveal common goals and core concepts for leaders and participants in the Blue Economy.
3. Create recommendations for institutional evolution to support their efforts.

You are being asked to participate in the study because you have demonstrated your commitment and leadership to the Blue Economy by certifying your business as a B Corp.

### **Procedure and Risks:**

I would like to record the interview, if you are willing, and use the recording to write my PhD dissertation. I will record the interview only with your written consent, which is one of the purposes of providing this form. Please feel free to say as much or as little as you want. You can decide not to answer any question, or to stop the interview any time you wish.

The recordings and recording-transcripts and notes taken will be kept anonymous, without any reference to your identity, and your identity will be concealed in any reports written from the interviews. As such, I ask that no personal identifiers be used during the interview, to ensure your anonymity.

The recorded and transcribed interviews will be stored on my personal hard drive located in a locked filing cabinet with no identifiers.

There are no known risks associated with participation in the study.

### **Benefits:**

It is hoped that the results of this study will benefit Blue Economy Entrepreneurship by providing insight into their culture and through recommendations made to support their efforts.

### **Cost Compensation:**

Participation in this study will involve no costs or payments to you.

### **Confidentiality:**

All information collected during the study period will be kept strictly confidential. No publications or reports from this project will include identifying information. If you agree to join this study, please sign your name on the following page.

INFORMED CONSENT FOR INTERVIEWS

I, \_\_\_\_\_, agree to be interviewed for the project entitled Values, Beliefs and Ideas of Blue Economy Entrepreneurs which is being produced by Shanah Trevenna of The University of Hawaii.

I certify that I have been told of the confidentiality of information collected for this project and the anonymity of my participation; that I have been given satisfactory answers to my inquiries concerning project procedures and other matters; and that I have been advised that I am free to withdraw my consent and to discontinue participation in the project or activity at any time without prejudice.

I agree to participate in one or more electronically recorded interviews for this project. I understand that such interviews and related materials will be kept completely anonymous, and that the results of this study may be published in an academic journal.

I agree that any information obtained from this research may be used in any way thought best for this study.

\_\_\_\_\_  
Signature of Interviewee

\_\_\_\_\_  
Date

*If you cannot obtain satisfactory answers to your questions or have comments or complaints about your treatment in this study, contact:*

Debbie Halbert, Dissertation Committee Chair, Chair of UHM's Political Science Department, halbert@hawaii.edu.

## **APPENDIX B: FINAL INTERVIEW GUIDE**

1. How old are you and where do you live?
2. Where did you go to school and what did you study?
3. What values and beliefs guide what you do?
4. Where did you gain these philosophies/values/beliefs?
5. What was the first spark for your business? When did this happen? Why?
6. How did you/do you operationalize your values and beliefs in your business?
7. Why did you choose to create a business rather than a non-profit?
8. How many staff do you have? What is the gender ratio? What % are minorities?
9. How are profits distributed?
10. How does decision making occur in your business?
11. What defines success for you?
12. Do you think you've been successful? why or why not?
13. What do you think are the biggest challenges to your business in building success?
14. In terms of context, what political and social circumstances affect your business?
15. What political changes could happen that would improve things for your business?
16. How does what you do challenge the limits of the traditional economic system?
17. Do you think the economy is evolving? how? how do you think it needs to evolve?
18. What does a sustainable future economy look like to you?
19. Do you think B Corp is a movement toward such an economy? Why?
20. What other movements are you aware of that address the same issues? How is the B Corp movement similar or different?
21. What else do you think is unique about the B Corp movement?
22. If you were to participate in a SWOT analysis of the B Corp movement, what would you say are its strengths? Weakness? Opportunities? Threats?
23. What is its current political significance? What do you think is the potential for its political impact?
24. Do you think it will be successful? Why or why not?
25. How do Millennials connect or not connect with your business?

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